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Three papers on
Aspects of the Maltese Economy

Read on the Occasion of the Launching of the Book

The Maltese Economy
A Macroeconomic Analysis
by Lino Briguglio



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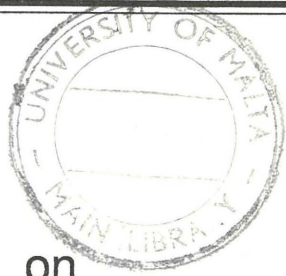
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The Maltese Economy
A Macroeconomic Analysis
by Lino Briguglio

Introduction by:

The Hon. John Dalli, FCCA, CPA, MIM, MBIM, MP
Parliamentary Secretary in the Ministry of Productive Development

Speakers:

Dr Joseph Borg, LLD, LL.M (Wales)
Dr Alfred Sant, MSc, MBA, DBA (Harvard)
Professor Dr John D Harper, BSc, MBA, PhD

Chairman:

Prof E Scicluna, BA Hons (Econ), MA (Econ), PhD (Econ - Toronto)

**Grand Hotel Excelsior, Floriana.
24th November, 1988.**

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The publishers
and the author of the book

THE MALTESE ECONOMY

A Macroeconomic Analysis

would like to thank



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the publication of this booklet.

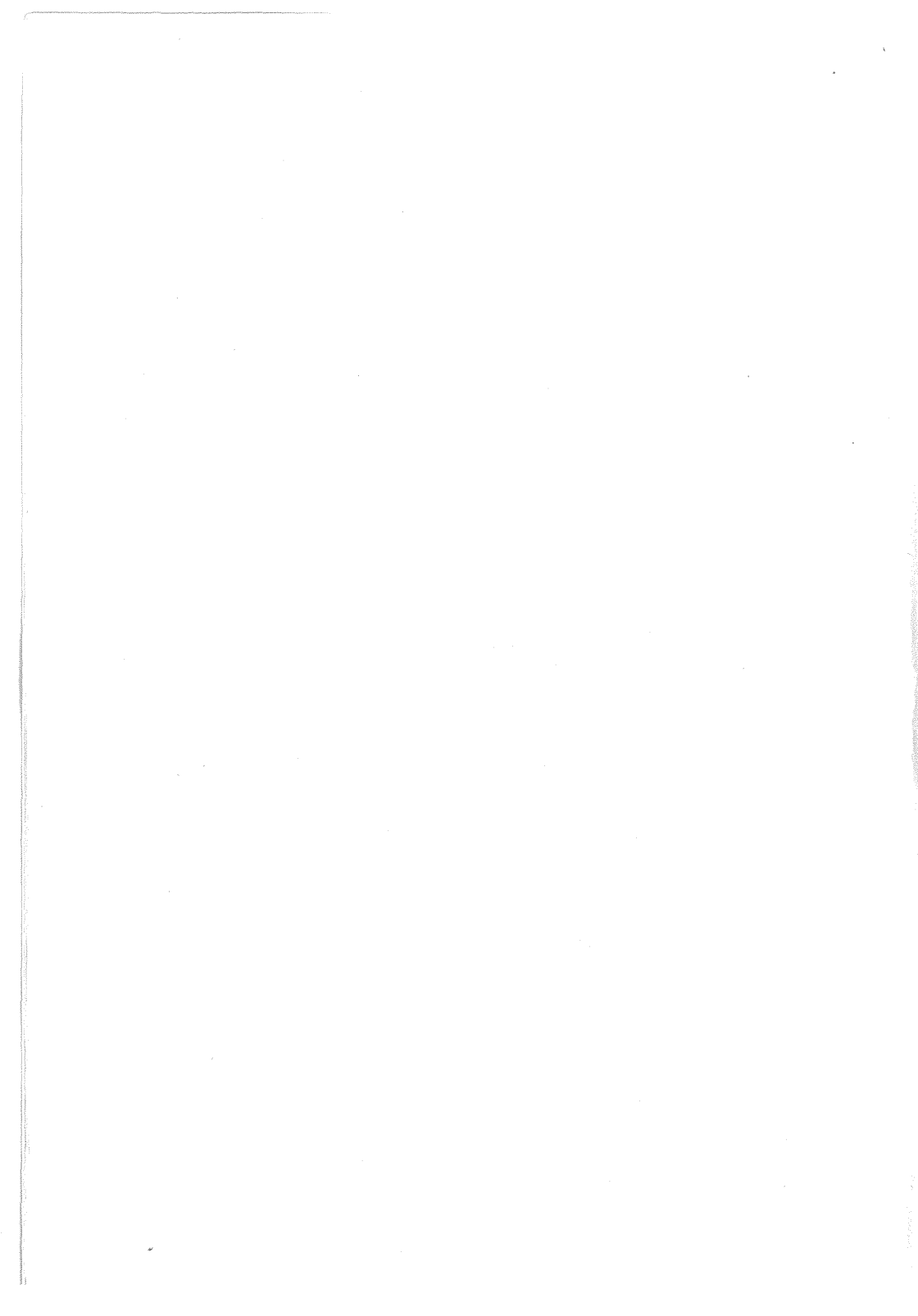


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INAUGURAL ADDRESS

by the

Hon. John Dalli,
Parliamentary Secretary for Industry

Ladies and Gentlemen,

I have the honour to introduce tonight's official launching of Dr Lino Briguglio's book "The Maltese Economy - A macro-economic Analysis".

The way this event is being organised is somewhat unusual. The panel of speakers is not going to discuss, praise or criticise the contents of the book as usually happens in events of this type. In fact the topics of tonight's lectures are not even directly related to the contents of the book. The organisers of this event felt that time would be better utilised through lectures on topics of major interest.

Since no one else is going to speak about Dr Briguglio's book on its official launching, I feel it is my task to say something about it. I consider the book to be a major contribution in the field of economics in Malta. The book presents a comprehensive description of the Maltese economy in as simple a language as possible. The author succeeds remarkably well in discussing topics such as "The Phillips Curve", "Monetarism" and "The Accelerator Principle" without using the technical jargon usually found in textbooks. This is perhaps the main attribute of the book. The publication however cannot be described as elementary, since it touches upon the most profound debates in modern macroeconomics.

The book is organised around a number of key subjects. The chapters are, by and large, self-contained, and can therefore be read in any order. The approach taken by Dr Briguglio is to present and describe actual data pertaining to an economic variable such as employment. He then proceeds to discuss the factors that influence this variable in Malta. Having done this, Dr Briguglio introduces some well known "text-book" theories related to the macroeconomic variable in question. For example in the case of employment, Dr Briguglio presents an extensive discussion on the most important factors influencing labour demand.

The book therefore is not simply a report of past tendencies. It presents facts in a framework of economic theory. It also puts forward many interesting new findings, such as that Malta has one of the World's highest ratio of currency in circulation to GNP, and one of the highest amount of official external reserves measured in months of imports. Rightly, Lino Briguglio does not consider these characteristics to be necessarily indicators of economic well-being.

Some chapters of the book present arguments that have never before been treated at all properly with reference to the Maltese economy, such as for example the chapter which compares Malta to other countries and the chapter which deals with inflation. Other chapters discuss original findings by the author himself, presented in earlier papers. This is the case with the chapters on labour, the multiplier process and the Maltese lira exchange rate.

An important feature of the book is that the text is accompanied by a large number of diagrams. The compositions of aggregate variable are generally explained by means of pie charts, whereas the patterns of change are generally illustrated by means of a time-series graphs of bar-charts. Diagrams are also utilised to summarise an argument. This approach is very effectively utilised to explain the factors affecting labour demand and the relationship between employment and changes in the external value of the Maltese lira.

This book does not pretend to offer suggestions to policy makers. However, such studies as contained between its covers are helpful to the policy makers to arrive at objective strategies and decision.

It is important for us to understand that economics is the analysis of observed human behaviour and the extrapolation of human reactions in the future to different situations. This behaviour and these reactions are the result of the culture, the traditions, and the emotional pattern of a particular people and as Maltese we have to be wary of hypothesis and theories developed through the observation of the reactions of other nations with a culture and tradition that are different from ours.

This is also the major pitfall when economic policies and strategies in Malta are modelled on ideological beliefs formed on cultures that are alien to us.

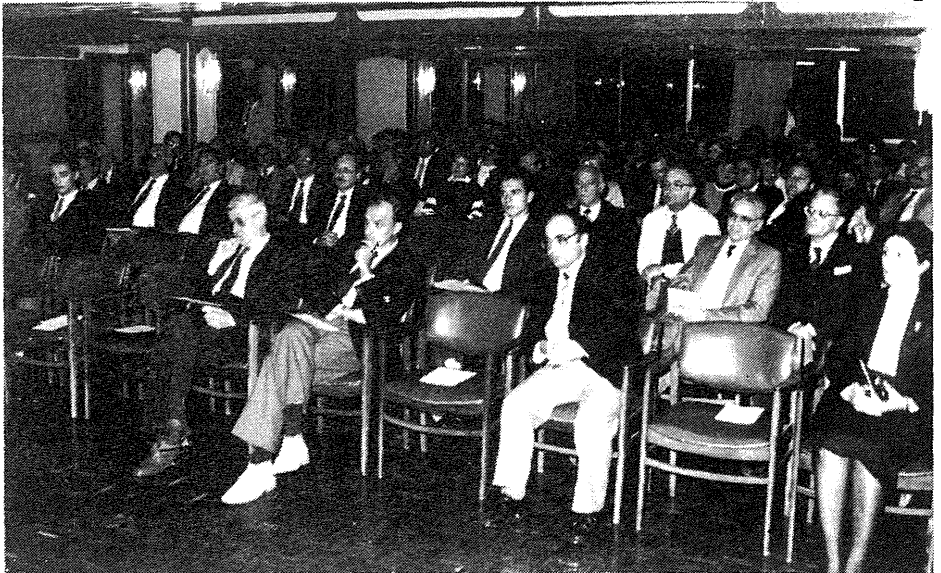
Lino Briguglio's contribution through this book is valid because of its analysis of the Maltese situation for a Maltese perspective.

I feel that all in all, the book makes an excellent contribution to the study of the Maltese economy. It fills a void that has long been felt in Malta. It should prove useful to those whose interest in economics is simply general knowledge for its own sake and to those preparing for professional and Ordinary or Advanced level examinations in economics.

Much more can be said about Dr Briguglio's book, but I feel that I have taken enough of your time. I therefore declare the book launched, and invite the chairman of tonight's meeting to introduce the distinguished lecturers.



The author of the book, Dr. Lino Briguglio, *second from right*, with, *from left*, Prof. J. Harper, the Hon. J. Dalli, Prof. E. Scicluna, the Hon. Dr. A. Sant and Dr. J. Borg during the official launching.



A section of the audience during the launching of the book held at the Grand Hotel Excelsior, Malta.

**THE IMPACT OF THE EUROPEAN COMMUNITY COMPANY
LAW HARMONISATION DIRECTIVES ON
MALTESE COMPANIES**

Dr Joseph Borg, LL.D., LL.M (Wales)

The Maltese Law on companies is "the Commercial Partnerships Ordinance, 1962 - Ordinance No. X of 1962 (hereinafter referred to as the 'Ordinance'). The two main sources of this Ordinance are the United Kingdom Companies Act, 1948 and the Italian Civil Code, 1942.

As the late Professor F. Cremona comments:

"The former source has been largely followed in respect of the registration of commercial partnerships, limited liability companies and partnerships constituted or registered outside Malta; the latter source, in respect of partnerships "en nom collectif" and "en commandite", the dissolution and the winding up of the three kinds of partnerships, conversion and amalgamation of partnerships, the association "en participation", as well as in respect of the transitory provisions". (1)

It may, therefore, be said that in relation to limited liability companies the predominant source is the 1948 United Kingdom Companies Act, except for that part of the law dealing with the dissolution and the winding up thereof.

In view of this most of the problems encountered in the United Kingdom to implement the company law harmonisation directives issued by the European Communities' Council, will also be encountered by us and the impact on Maltese Companies will be very similar to that on their British counterparts.

Having made this observation by way of a general introduction it is relevant to point out, before outlining the company law harmonisation directives themselves, that the European Communities' Council has not only been involved in a harmonisation exercise of company law purely and simply. It has also worked on such related subjects as the harmonisation of stock exchanges, banks, credit institutions, undertakings for collective investment in transferable securities, and certain labour and taxation issues directly connected with companies. Thus far, considerable progress has been registered in all these areas.

The Company Law Harmonisation Directives

The European Communities' Council has already issued seven directives, although in all there are eleven in existence.

Before proceeding to examine these seven directives a very brief consideration of the remaining directives will now be provided.

In furtherance of its company law harmonisation programme the Commission of the European Communities has presented to the Council three draft directives on the basis of Article 54(3)(g) which are (1) the proposal for a Fifth Council Directive concerning the structure of public limited companies, the question of employee participation and the powers and obligations of their organs (2); (2) the proposal for a Tenth Council Directive concerning cross border mergers of public limited companies (3); (3) the proposal for an Eleventh Council Directive concerning disclosure requirements in respect of branches opened in a Member State by certain types of companies governed by the law of another State. (4)

Besides a draft proposal for a Ninth Directive on links between undertakings and, in particular, on groups, has been prepared but it has not so far been transmitted to Council (5).

The proposed Fifth and the draft proposal for a Ninth Directive are the most controversial of the directives which have so far been prepared and it would not be surprising if, before being adopted by the Council, extensive amendments thereto are effected, otherwise it would be improbable for the said directives to be issued in the immediately foreseeable future. The other two proposals are not so controversial and so they will presumably be adopted, maybe with some amendments (especially as regards The Tenth), in the near future.

THE COMPANY LAW HARMONISATION DIRECTIVES THAT HAVE BEEN ISSUED BY THE EUROPEAN COMMUNITIES' COUNCIL

The First Council Directive on Company Law Harmonisation

was issued by the Council on March 9, 1968, as Council Directive 68/151 (6). Its official title reads as follows:

"On the Co-Ordination of Safeguards which, for the Protection of the Interests of Members and Others, are Required by Member States of Companies within the Meaning of the Second Paragraph of Article 58 of the Treaty, with a View to Making such Safeguards Equivalent Throughout the Community".

The First Council Directive deals with three topics, namely (a) those relating to disclosure or, in other words, prescribing the minimum amount of publicity of a company's affairs and financial structure, (b) those relating to the validity of obligations entered into by the company and (c) those dealing with the nullity of the company.

The Second Council Directive on Company Law Harmonisation

was issued on December 13, 1976 as Council Directive 77/91⁷ It covers a broader spectrum of topics although the principal areas of harmonisation dealt with are outlined in its title, which is:

"On Co-Ordination of Safeguards which, for the Protection of the Interests of Members and Others are Required by Member States of Companies within the Meaning of the Second Paragraph of Article 58 of the Treaty, in Respect of the Formation of Public Limited Liability Companies and the Maintenance and Alteration of their Capital, with a view to Making such Safeguards Equivalent."

The directive only applies to the public type limited liability companies. It covers the contents of the statutes or the instrument of incorporation of the company, minimum capital, increases and reduction of capital, distribution of dividend, serious loss of capital, subscription by a company of its own shares and redemption and withdrawal of capital.

The Third Council Directive on Company Law Harmonisation

was issued by the Council on October 9, 1978, as Council Directive 78/855 (8). Its official title states simply that it is "Based on Article 54 (3) (g) of the Treaty Concerning Mergers of Public Limited Liability Companies".

This directive, principally deals with two types of mergers, that is, either by the fusion of two or more companies together to form a new company, the existing companies ceasing to exist, or by the absorption of one company into another which continues to exist, whereas the first mentioned company ceases to exist. The directive does not, however, deal with any merger which is achieved by the take-over procedure usual in the United Kingdom, that is, by the procedure whereby one company acquires the shares of another, which then remains in existence as a subsidiary. The Commission intends to cover this takeover procedure by a separate directive (9).

The directive does not deal with mergers across frontiers, that is, international mergers. This subject is to be regulated by another directive, that is, the Tenth, already referred to.

The directive, therefore, deals, in principle, with situations in which the shareholders of the target company, after the completion of the merger, will be the shareholders of the acquiring or of a new company, although a small cash payment to them may be made.

The provisions of this directive which find no counterpart in the Ordinance, and which would consequently require specific implementation, are those relating to the drawing up of a merger plan, called 'the draft terms of merger' by the Board of Directors, the contents of which are specified in Article 5; the drawing up of a detailed written report by the Board of Directors to explain the draft terms of the merger and setting out the legal and economic grounds for them (Article 9); the examination of such terms by one or more experts acting on behalf of each of the merging companies but independent of them and the drawing up of a written report by these same experts to the shareholders (Article 10).

The Sixth Council Directive on Company Law Harmonisation

was issued by the Council of the European Communities on December 17, 1982, as Council Directive 82/891 (10). Its official title states simply that it is "Based on Article 54 (3)(g) of the Treaty concerning the Division of Public Limited Liability Companies". This directive is similar in character to the Third Directive. The intention of the Commission originally was to include the provisions relating to divisions into the merger directive. This was not, however, carried out since it was felt that the division of a company raised special problems. It, therefore, became necessary to regulate the provisions dealing with division in a separate directive.

This directive is divided into five chapters: Division by acquisition, division by the formation of new companies, division under supervision of a judicial authority, other operations treated as a division and the final provisions. A number of the provisions of this directive are identical or similar to those of the Third directive.

In Malta division or scission of companies is totally unknown and there are no provisions whatsoever regulating it. Such divisions can only be achieved in a roundabout way, that is by two or more companies acquiring the shares of another company which is subsequently dissolved and wound up in accordance with the winding up provisions of the Ordinance, and its assets are then divided between the first mentioned companies in proportion to their respective shareholding after all liabilities have been settled.

The Sixth Directive deals with cases where, after being

wound up without going into liquidation, a company (called 'A') transfers to more than one other company (called 'B' and 'C') all its assets and liabilities in exchange for the allocation to the shareholders of A of shares in B and C. Companies B and C may be existing companies, newly formed companies or both. The aim of this directive, as that of the Third, is to ensure adequate protection of shareholder and creditor interests by the provision of adequate information to interested parties and by the necessity for the approval by a general meeting of each of the participant companies.

The Accounts and Auditor Qualifications Directives - The Fourth, Seventh and Eighth Directives.

These directives are rather long and detailed and are of a very specialised and technical nature. A detailed analysis of the impact of the provisions of these directives on Maltese law and accounting practice, and a comprehensive outline of the changes and new provisions that would have to be introduced to Maltese Law should be left to be worked out by the Accountancy Profession in Malta. Any attempt to do so without seeking the help of the Maltese Accountants, and if necessary delegating almost the whole exercise to them, would be foolhardy and should not even be considered.

The Fourth Directive deals with the annual accounts of certain types of companies, the Seventh with consolidated accounts and the Eighth relates to the approval of persons responsible for carrying out the statutory audits of accounting documents.

The Fourth Council Directive 78/660¹¹ of July 25, 1978

the legal base of which is Article 54(3)(g), provides a minimum coordination of national provisions on the presentation and contents of annual accounts and reports, the valuation methods used and their publication in respect of certain limited liability companies. The object of the directive is to coordinate the laws, regulations and administrative provisions of the Member States in relation to all forms of public and private type limited companies apart from banks and other financial institutions and insurance undertakings, regarding which accounts harmonisation is to be effected by separate directives (Article 1) (12).

The Seventh Council Directive 83/349¹³ of June 13, 1983, on Consolidated Accounts

is based on Article 54 (3)(g) of the treaty. Its scope is to increase the financial transparency of groups of companies by ensuring that a true picture of the financial situation is available in the form of consolidated accounts.

The Eighth Council Directive 84/253¹⁴ of April 10, 1984 on the Approval of Persons Responsible for carrying out the Statutory Audits of Accounting Documents

is based on article 54 (3)(g) of the EEC Treaty. The scope of this directive is to create a Community framework guaranteeing that, in all Member States persons authorised to carry out statutory audits of the annual accounts of limited liability companies have equivalent minimum qualifications. It should immediately be remarked that the Eighth Directive has no specific provisions on the professional integrity and independence of auditors.

"It is surprising that the directive does not contain provisions specifying how these essential requirements of professional integrity and independence are to be safeguarded. There is no provision requiring a disciplinary supervision of the auditor by the approving authority or the recognised professional organisation to which he belongs. Nor is there a provision stating from whom the auditor shall be independent and how his independence is to be protected." (15)

Almost all the provisions of this directive do not require any implementation in Malta either because they are already complied with or because they do not apply since they are not relevant in our regard. The Article which requires a brief comment in relation to its implementation in Malta is Article 8 which deals with the duration of the practical training to be carried out before one may become entitled to work as an Auditor. An amendment will have to be made to "the Accountancy Profession Act, 1979" (Act XXVIII of 1979) so that rather than the use of the generic term 'adequate qualifications and experience in auditing', it will be specifically stated, in accordance with Article 8 of the directive, that the practical training must not be less than three years, two of which, at least, must be with a qualified auditor before the Minister can issue the relative warrant.

SOME SPECIFIC COMMENTS

It is now opportune to deal with certain specific provisions of the above mentioned seven directives which are of particular interest to Maltese companies. Their implementation in Malta would require some very significant changes to Maltese company Legislation. There are a number of other provisions which would also bring about substantial changes, however these together with the other provisions of the said seven directives necessitating only minor amendments or requiring no implementation at all, cannot be considered in this paper.(16)

As regards the First Directive, the part thereof which has

caused most havoc in the United Kingdom is that dealing with the 'ultra vires' issue.(17). In Malta the provisions of Article 9 of the First Directive will not cause such a chaos. This is because the 'ultra vires' doctrine is already partially mitigated by the fact that a company may ratify not only whatever is done by the directors 'ultra vires' their powers but also whatever is done 'ultra vires' its objects as long as it is not an illegal or fraudulent act. It is, therefore, submitted that the next step is to abolish the 'ultra vires' doctrine completely in so far as it relates to company law. This is the position in Germany and it seems to be the trend in many common law States. Furthermore, as already indicated, there is a very strong movement for its abolition in the United Kingdom following the Prentice Report. (18) In the other Member States the 'ultra vires' doctrine has been curtailed very much since the implementation of this Article 9.

A provision implementing Article 9, and more effectively resolving any possible problems connected with the 'ultra vires' issue would read as follows:

"Any act done by any director of the company shall be binding on the company even if it is not within the objects of the company, unless such act exceeds the powers that are or can be, conferred by law on him" and

"Limitations on the powers of any director, arising under the memorandum or articles or from any resolution of the general meeting or of the board of directors, may never be relied on as against third parties, even if duly registered and published".

A saving clause could then be introduced on the same lines as in Italy in the light of its recent case law (19) on the subject, that these provisions shall not, however, apply and the company shall have the right to consider itself not bound if it proves that

"the third parties intentionally acted in collusion with the director or directors to the prejudice of the company".

As regards the Second Directive some provisions bringing about significant changes to Maltese Companies Law are the following:

(1) Article 2 - This establishes the minimum matters that have to be specified in the statutes or the instrument of incorporation

of the company. These are (a) the type and name of the company; (b) the objects of the company; (c) details on the capital of the company; (d) the management of the company and (e) the duration of the company, except where this is indefinite.

Section 68 of the Ordinance already provides that the name of the company, the objects, the capital and the management of the company must be specified in the memorandum. It is not, however, necessary to specify whether a company is public or private. Thus, compliance with Article 2 (a) will necessitate the inclusion of an obligation on the part of a company to specify in its memorandum or articles whether it is public or private. It is submitted that, in line with the relevant U.K. amendment, private limited liability companies be identified by the use of the word "Limited" at the end, or its abbreviation "Ltd", whereas public limited companies will be distinguished therefrom by the addition of the words at the end of the name "Public Limited Company" or its abbreviation "Plc". This will necessitate a change to Section 69 of the Ordinance.

(2) Article 6 provides for a minimum subscribed capital requirement of not less than 25,000 European Units of Account. The equivalent in national currency must be calculated initially at the rate applicable on the date of adoption of this directive; which was the 13 December, 1976 (20). 25,000 Units of Account were at this time equivalent to approximately 10,500 Maltese liri. It is, however, submitted that it would be more realistic to set as a minimum issued or subscribed capital for a public company the figure of 20,000 Maltese liri. This would entail an amendment to the present Section 71 which requires as a minimum issued capital for all companies the sum of 500 Maltese liri. The sum of 500 Maltese liri may be left for the time being, for private companies; whereas a new provision to the effect that the minimum capital of public companies has to be 20,000 Maltese liri will have to be introduced. Most of the public companies in Malta already have an issued capital in excess of this, however, a clause providing for a transitory period of 1 to 2 years may have to accompany this amendment so that those public companies already in existence which have an issued capital of less than 20,000 Maltese liri will, within this period, either increase their issued capital to this minimum or otherwise convert themselves to private companies

(3) Article 15 deals with dividends. To implement this Article in the Ordinance, sub-Article (1) of the Directive may be reproduced word for word, as follows

"(a) Except for cases of reductions of subscribed capital, no distribution to shareholders may be made when on the closing date of the last financial year the net assets as

set out in the company's annual accounts are, or following such a distribution would become lower than the amount of the subscribed capital plus those reserves which may not be distributed under the law or the company statutes.

(b) Where the uncalled part of the subscribed capital is not included in the assets shown in the balance sheet, this amount shall be deducted from the amount of subscribed capital referred to in paragraph (a).

(c) The amount of a distribution to a shareholder may not exceed the amount of the profits at the end of the last financial year plus any profits brought forward and sums drawn from reserves available for this purpose, less any losses brought forward and sums placed to reserve in accordance with the law or the company statutes.

(d) The expression 'distribution' used in paragraphs (a) and (c) includes, in particular, the payment of dividends and of interest relating to shares".

As it is possible for interim dividends to be declared in Malta sub-Article (2) of the Directive will also have to be implemented. If this sub-Article were to be reproduced the new provision would state

"In relation to interim dividends the following conditions shall apply:

(a) interim accounts shall be drawn up showing that the funds available for distribution are sufficient.

(b) the amount to be distributed may not exceed the total profits made since the end of the last financial year for which the annual accounts have been drawn up, plus any profits brought forward and sums drawn from reserves available for this purpose, less losses brought forward and sums to be placed to reserve pursuant to the requirements of the law or the company statutes."

(4) There is again no provision similar to Article 17 in the Ordinance. This provision of the Second Directive affords protection to shareholders and creditors and should be welcomed. The new clause would state that:

"If, when the balance sheet is drawn up, a company's assets after liabilities are deducted therefrom, are half or less of the subscribed capital, the board of directors shall call a general meeting of all the shareholders of the company to decide whether or not to dissolve the company, or to

provide for any other means of reviving the company, like by the injection of new capital therein.

Dissolution of a company by its shareholders for this reason requires only an ordinary resolution".

(5) Article 29 introduces a concept which is virtually new to public companies. It states that whenever the capital is increased by consideration in cash, the shares must be offered on a pre-emptive basis to shareholders in proportion to the capital represented by their shares. This is, in fact, almost the exact opposite to the situation obtaining in Malta, where, in private companies, in practice the articles provide for existing members' pre-emptive rights on an issue, whereas in public companies no restrictions are normally imposed, and definitely no restrictions are imposed by law.

It is felt that a general comment on the implementation of the Sixth Directive relating to division of companies cannot be left out. Article 1 of this directive is very strange when compared to the opening articles found in other directives. It gives to Member States the option to disregard this directive completely where they do not have anything in their laws regarding the possibility of division of companies. The provisions are only mandatory where Member States already regulate division operations by acquisitions or by the formation of new companies or by a combination of both.

It is, therefore submitted that were Malta to join the EEC it would not be obliged to implement this directive at all. It is also submitted that Member States having division provisions may abolish such provisions and thereby they would be able to disregard the Sixth Directive. It is a very peculiar type of harmonisation indeed where some Member States are allowed not to have any provisions whereas those having provisions are obliged to have such provisions harmonised.

The question which remains in relation to Malta is whether the legislator ought to introduce provisions regulating divisions, in which case they would have to be in line with this directive if Malta were to join the EEC. Or whether, although division makes a lot of sense for bigger companies it is not resorted to in smaller companies and so, in the case of Malta, where almost all companies would be considered as small by Member States' standards, the lack of division provisions would not distort competition to the detriment of companies registered in Malta.

Although Malta has not, so far, however, attracted to an appreciable extent this sort of big investment, the recent legislation passed through the Maltese Parliament on international business,

offshore companies in particular, is specifically aimed at alluring big companies and firms. Besides, joining the EEC could also bring about the establishment in Malta of a number of community scale companies. All in all, therefore, even though past needs may not have required the necessity for such legislation it would be a wise move if provisions regulating divisions of companies, in line with the Sixth Directive were to be introduced into Maltese law, so that the way would be paved for Malta's needs were it to manage to attract the type of big investment abovementioned. It would also be expedient, on commercial grounds, to introduce legislation on divisions since this, of itself, could serve as an added attraction for bigger companies to register in Malta.

For the purposes of the Fourth Directive, companies covered by it may be classified into three groups: small, medium and large companies.

Small companies are those not exceeding two of the three following criteria: (a) balance sheet total of 1.55 million ECU; (b) net turnover of 3.2 million ECU; and (c) average number of 50 employees during the financial year (Article 11)

Medium companies are those not exceeding two of the three following criteria: (a) balance sheet total of 6.2 million ECU; (b) net turnover of 12.8 million ECU; and (c) average number of 250 employees during the financial year (Article 27).

Large companies are obviously those exceeding any two of the three criteria set out above for medium companies.

The scope of this classification is for the purpose of allowing Member States to impose less strict requirements on small and medium companies in relation to the balance sheet, profit and loss account and publication. Such a classification would have to be introduced in Malta on implementation of this Directive.

This would, to a very large extent, do away with the need for the continuation of the existence of the 'exempt private' status as distinct from the 'ordinary private' status in relation to the private type limited liability company.

On the other hand, however, this classification is totally distinct from the ordinary classification between public type and private type limited liability companies. A private company may in fact be small, medium or large, and a public company may also be small, medium or large, although one would normally associate the former with the smaller and the latter with the larger companies.

Consolidated accounts all the provisions of the Seventh Directive will have to be implemented by the introduction of written law and this would require an extensive amendment in the form of additional provisions to the Ordinance. Before doing so account will have to be taken of the various options available and the necessary choices will have to be made. The main question to decide in this regard would be whether to select exclusively "the options so as to minimise the changes in present consolidation methods" or to opt for all those options which would prove to be least burdensome and most advantageous for companies registered in Malta having to draw up consolidated accounts, in which case further departures from present consolidation methods would be required.

A final point has to be made in relation to the meaning of a group. Although the Ordinance contains no provisions on consolidated accounts, Section 96 (2) outlines the meaning of a subsidiary company. If this provision is to be made to cover also the meaning of a group for consolidated accounts purposes in line with Article 1 of the Seventh Directive then it will have to be amended to cover at least the group relationships regarding which consolidation is mandatory, as for example where the parent undertaking, being a shareholder of another undertaking, has the right to appoint or remove a majority of the latter's board of directors, which is not presently specifically provided for in Section 96 (2). Furthermore, if it is decided to adopt the types of group relationships which, by virtue of the directive Member States may introduce at their discretion, like that of dominant influence by contract, and of horizontal groups, provision therefor will have to be made. On the other hand the directive does not specifically provide for the case where a company has a majority shareholding in another, irrespective of its voting power, as the Ordinance does. It must, therefore, be decided whether this criterion for a group relationship is to be retained or not. There would not be any infringement of the directive provisions if other additional group relationships requiring consolidation are allowed by Member States, since Article I does not state that consolidations are only possible in the cases of the group relationships listed therein, but only that in those relationships consolidation is required. It is, however doubtful how prudent this would be.

The establishment of the holding/subsidiary relationship is not only relevant for the purpose of determining whether consolidated accounts are required but it is also relevant in Malta for other purposes such as in connection with the prohibition of a company from holding shares in its holding company or the making of loans by a company to directors of its holding company. If Section 96 (2) itself is amended, the new group relationships introduced would apply for these purposes as well. It may not be prudent to extend the meaning of holding/subsidiary or to have it substituted by a definition of a group relationship for such purposes. In view of this

it may be advisable to introduce a new section defining the meaning of group relationships for the purposes of drawing up consolidated accounts and retaining Section 96 (2) as it is for all other purposes.

Before concluding, a reference has to be made to two legal entities which the Commission of the European Communities has sought to establish.

Section 235 of the EEC Treaty empowers the Council, acting unanimously on a proposal from the Commission, to take the appropriate measures, if action should prove necessary to attain one of the objectives of the Common Market and the Treaty has not provided the necessary powers.

The Commission has sought to establish two new legal entities by means of regulations issued under this Article. These are the so called "Societas Europea" and the European Economic Interest Grouping (hereinafter referred to as the EEIG). A regulation for a Societas Europea" has not so far been issued and in view of the length of time that has now elapsed and the other alternatives that have now been proposed, including the EEIG, it is doubted whether it is any longer necessary to issue this regulation.

The European Economic Interest Grouping is governed by Council Regulation number 213785 which was issued on July 25, 1985 (21).

Since the EEI has been introduced by means of a regulation no specific implementation is required as in the case of a directive, since regulations are directly applicable. In fact in Article 43 of the Regulation it is stated that the regulation shall enter into force on the third day following its publication in the Official Journal of the European Communities (that is August 3, 1985). However, it shall apply as from July 1, 1989, in order to give time to the Member States to make the necessary provision in their laws and, in particular in order to establish the necessary administrative machinery for it to be possible to have an EEIG registered, and for an EEIG to be capable of operating in each Member State. Various Member States are in the process of adapting their laws to cater for this new form of business organisation. It is submitted that the earlier this is done by the Member States the better it would be for such Member States. The form of the EEIG is particularly suitable for joint ventures and other joint business activities of enterprises which, however, wish to retain their economic independence. In fact, the aim of the EEIG is to facilitate the attainment of a single market within the Community by providing a means of effective cooperation across frontiers to facilitate or develop the economic activities of its members and to improve or increase the results of those activities. Any Member State lagging behind will, in effect, be depriving those persons, whether natural or legal, who can form an EEIG of a tool which may prove a very effective and efficient means of enhancing and

improving economic activities for undertakings which are relatively small by providing to them the means to compete with larger firms, without running foul of the competition rules outlined in the EEC Treaty.

The regulation enables all companies as defined under Article 58 of the Treaty and other legal bodies governed by public or private law to take part in an EEIG as well as natural persons who operate industrial, commercial, small craft or agricultural undertakings or who provide professional or other services (Article 4). The purpose of an EEIG is to facilitate or develop the economic activities of its members and to improve or increase the results of those activities. In furtherance of these purposes Article 16 states that the members of the EEIG can take any decision to achieve the objective of the grouping (the EEIG). Its activity must, however, be related to the economic activities of its members and must not be more than ancillary thereto.

In conclusion it may be pointed out that this paper is not intended as a comprehensive survey of the changes that would be required in Maltese Company Legislation as a result of the implementation of the company law harmonisation directives that have been issued, even less does it provide an exhaustive account of all the possible changes which may be considered necessary or expedient to the Maltese law on commercial partnerships. It is, however, hoped that, at least some justice has been done to the title of this paper and that, therefore, an indication of the impact of the European Company Law Harmonisation Directives on Maltese Companies has been provided.

Notes

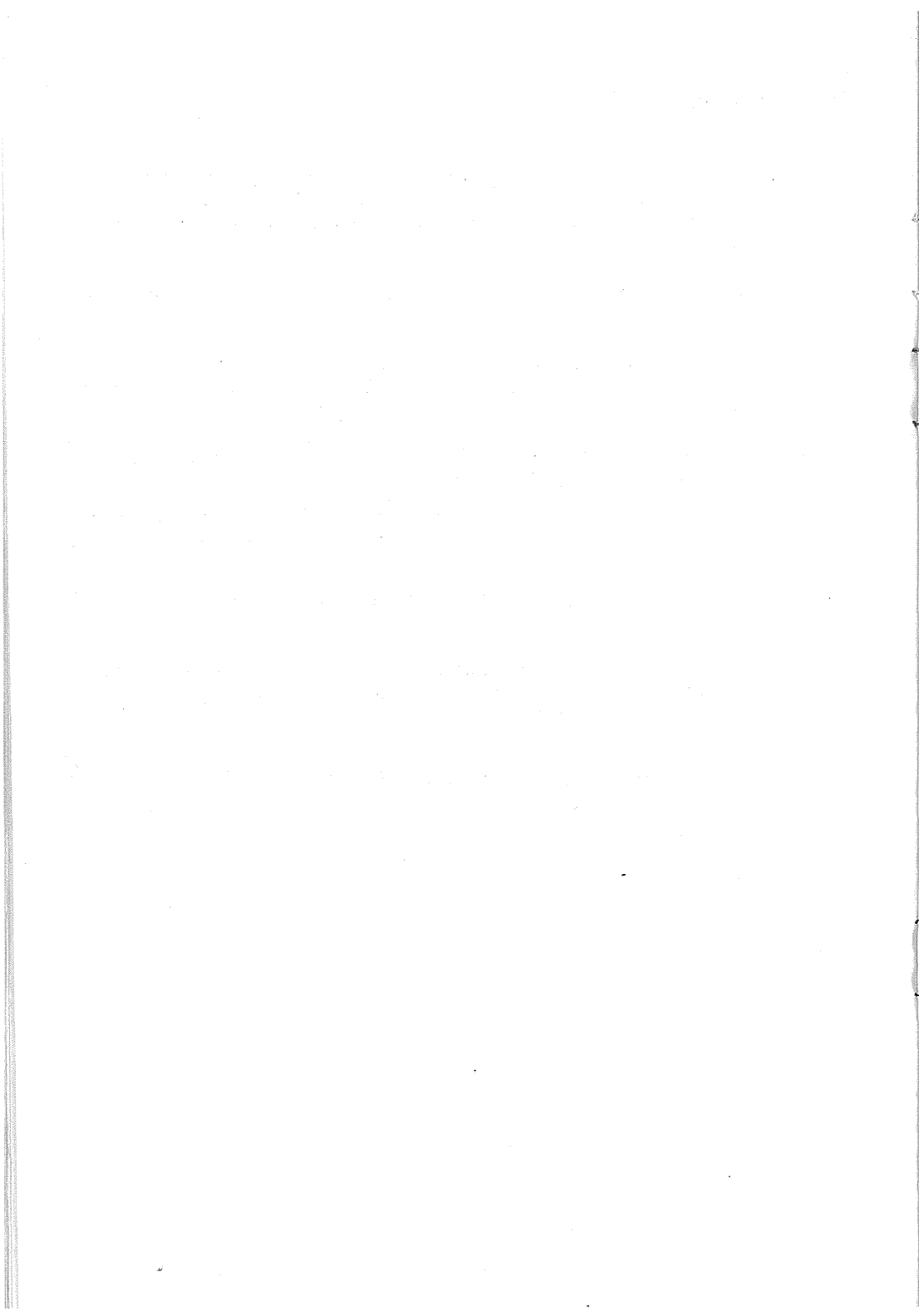
1. "Notes on Commercial Partnerships" by Professor F. Cremona, Malta University Press, (1968), 21
2. Bull E.C. Supp., 6/83
3. OJC, 1985, 23/11 and Bull E.C. Supp , 3/1985
4. OJC 1988, 105/6
5. Consultative Document on the European Communities Draft Ninth Company Law Directive on the Conduct of Groups containing a Public Limited Company as a Subsidiary [Publ. D.T.I.(UK) Feb.1985]
6. OJL 1968, 65/8

7. OJL 1977, 26/1
8. OJL 1978 295/36
9. A proposed directive on take-over bids has been in preparation for quite some time. In 1974 Prof. R. Pennington, at the Commission's request, drew up a "Report on Take-Over and other Bids", which includes a draft directive. In January 1976 a Commission working group of experts completed a preliminary examination thereof. The Commission is drafting its own proposal but very little known on it. The Commission has not so far submitted any proposed directive on the subject to the Council, notwithstanding that in the Commission's White Paper on completing the Internal Market 1987 was mentioned as the date of the proposal and 1989 as the date of the expected adoption by Council.
10. OJL. 1982, 378/47
11. OJL 1978, 222/11
12. Reference is made to the Proposal on the Annual and Consolidated Accounts of Insurance Undertakings of January 1987, (OJC 1987, 131/1) and the Council Directive 86/635 on the Annual and Consolidated Accounts of Banks and Other Financial Institutions of December 8, 1986 (OJL, 1986 372/1)
13. OJL. 1983, 193/1
14. OJL. 1984, 126/20
15. Taken from "The Encyclopaedia of European Community Law - Part 'C' at pg.C3146 under the heading "General Note" on the Eight Directive
16. Certain provisions do not require any implementation at all either because they are already complied with fully in Malta or because they are not relevant in relation to Malta as for example where the implementation of any particular provision is optional or where it applies only in so far as it concerns some matter which is known to the law of a Member State.
17. The 'ultra vires' doctrine concerns the cases where a director of a limited liability company acts within the objects of the company but beyond the powers vested in him by the company ('ultra vires' his own powers but 'intra vires' those of the company). It also concerns the case where a director acts 'ultra vires' the actual powers of the company itself, that is beyond the objects of the company.

18. "Consultative Document on the Reform of the Ultra Vires Rule" issued by the DTI in 1986 and drawn up by Dr Dan Prentice.
19. "Creditwest S.p.A-v-Immobiliare Jonner" Cass. March 9, 1976 (Giustizia Civile, 1976, Vol. 26 pp.38-43); "Bianchi-v-Bianchi & Soc. Coop. Strada Ferrate Roma - Lido Amadeo Murgia e Leo" Cass. June 23, 1977 (Foro Italiano V.100.1, 1977 pgs.1635-1638); "Societa' Condotta di Acqua Potabile di Alpignano-v-Comune di Alpignano" Cass. February 9, 1981 (Foro Italiano V.104.1, 1981 pgs. 1315-1318).
20. By Regulation No. 3180/78 dated December 18, 1978 (OJL.1978, 379/1) the European Unit of Account (E.U.A.) was changed to the European Currency Unit (E.C.U)
21. OJL, 1985, 199/1.

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THE STRATEGIC ROLE OF THE PUBLIC ENTERPRISE SECTOR IN MALTA'S ECONOMIC DEVELOPMENT

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During the eighties, it has become fashionable to strongly criticise the role of public enterprise in the economy. The attack on public enterprises - linked as it has been to the concept of state intervention in economic management - has been promoted in both the advanced capitalist economies, and in the mixed economies of the developing states.

Fuelled by the political successes of the Reagan and Thatcher administrations in the U.S. and the U.K., the criticism of state intervention in general, and of public enterprise in particular, has run on ideological and economic lines. The claim has been repeatedly made, that it is only private initiative that can create sustainable economic growth, which will lead in turn to an improvement of living standards for the public at large. State involvement in the economy breeds non-economic decision-making, which may initially help overcome social and political ills. But according to this argument in the medium to long term, the resulting inefficiencies will create worse problems than the ones that public enterprises are meant to solve.

So, privatisation has been one of the clarion calls of the Thatcher administration, in order to make public enterprises perform as competitors in a free market. Such an approach will lead in the Thatcher view, to lower and more competitive prices, more innovation, lower financial burdens on the government, and greater efficiency all around.

In the developing countries, there has been an overhang from the Reagan-Thatcher ideological offensives. Since the early eighties, the International Monetary Fund and the World Bank have been exercising subtle and not-so-subtle pressures against the presence of public enterprises in the economies of developing countries. The growing state budget deficits faced by these countries were in many cases, traced directly - at least in part - to the operations of public enterprises. Instead of making profits, these would be making huge losses, requiring enormous subventions from the state.

Similarly, international bureaucrats and econometricians despatched from Washington would trace balance of payments deficits to public enterprises, and the international debts of many developing countries became attached in the popular view to public enterprise. Privatisation of public enterprises has become one standard remedy proposed to developing countries, as part of packages by which their international debt would be recycled.

The international indebtedness of developing countries is of course, a separate problem, all on its own. Two remarks about it may however not be out of context. In most discussions about the international debt, the so called waste of public enterprises sectors is all too frequently mentioned, without reference to that other problem - the prices of most of the major commodities exported by developing countries. From oil to cocoa, from coffee to tourist services, the fluctuating price of such exports due to the "free market" environment in which they operate, has been as important in triggering economic crises in developing countries, as state intervention in economic management.

The second remark about the international debt crisis that must be made, relates to the position of the U.S. itself. The foreign indebtedness of the U.S. economy has in the years of the Reagan administration grown to stratospheric heights. It outstrips proportionately, the indebtedness of most other countries in the world, including some of the more dismally placed countries of Africa. Yet state intervention in the U.S. economy has been wound down to the minimum. The only reason why the U.S. is not treated like Mexico or Tanzania, is because the dollar is still the international currency. The U.S. can still export its debts, whether it has state enterprise or not. Other countries cannot.

I am making these points simply to lead to another remark which is, I feel, too frequently overlooked. The role of public enterprise in any economy should be considered from a pragmatic point of view. You may be right wing, left wing or just plain confused ideologically, and still find a useful role in a mixed economy for the public enterprise. Once you have discovered that role, your next concern will probably revolve around how to maximise the usefulness of public enterprise performance.

In most developing mixed economies, there is no place for ideological preferences about public enterprise -- for a policy option that promotes public enterprises simply and uniquely because they are considered ideologically desirable, or that rules public enterprises out, simply and uniquely because they are considered to be ideologically anathema. Such enterprises are among the few policy tools available for management of economic development processes, independently of one's ideological orientation.

Public enterprise in Malta clearly falls within this pragmatic perspective. Those who claim that Malta can develop uniquely through 100 per cent state ownership of the means of production, are in my view, adopting a position that is untenable in the real world, as of now. Do not ask me when such a position could become viable. I do not know, and frankly, I do not much care. What is important, is the here and now of economic development, and that process needs

private sector inputs extensively, and will continue to do so for quite a while.

Equally however, the belief that state intervention in the economy should be reduced to the minimum and that there should be no room left for public enterprise, since the private sector should be allowed to fully assume responsibility for development, is an irrelevant belief. There is no way by which the private sector, all alone, can assume the task of economic development in Malta. The question is not whether public enterprises should become the sole actors in the economic scene. Nor is it whether public enterprises should be eliminated in an upsurge of Thatcherite fervour. The real question is what role should public enterprises play in the economic development process.

So that there will be no confusion, let us define as roughly and readily as possible, what we mean by public enterprises. In contrast to "normal" government departments and ministries, public enterprises have their own corporate identity; they have direct responsibility over the management and control of productive assets of some sort; they operate in a self-financing mode, by using their assets to produce output for sale or disposal to a market; income from disposal of output should in principle suffice to pay for expenses incurred in operating the enterprise, and leave a surplus. In terms of this definition, it is really immaterial whether public enterprises are set up under a specific law by parliament, or whether they have been set up under the Commercial Partnerships Ordinance. For an enterprise to be "public", the government needs only to have effective control over the essential decision-making of the enterprise. As shareholder or effective controller, the government then has the final say in the essential decisions of the enterprise, like investments, pricing, production choices, employment, profitability and so on.

The characteristics presumed for public enterprise create a scope for their operations that is similar to what is capitalist society, has usually been earmarked for private enterprise. And it is from this similarity that the ideological opposition - to put it mildly - towards public enterprise arises. Activities that can be run by micro-organisations on a self-financing basis, should be "left", so the free market enterprise advocates insist, purely to private enterprise. At worst - or is it at best? - these free market advocates concede that public enterprise should only be present in areas of activity where the private sector shows no interest to enter, or where the national interest "clearly" dictates the presence of the state, for instance certain infrastructural activities and defence.

The point I am trying to make however, is that in a developing mixed economy like Malta's, you must first decide what role the public enterprise sector should play in the economy. For if you choose a given role, then the public sector would have to do this

and that. While if you choose another role, then the public enterprise sector should rather be expected to play that and this role.

To go back to what I have already called the "real question". What role should be recognised for the state enterprise sector in Malta, at its current stage of economic development?

In my view, to be worthwhile and meaningful, the role to be assigned to public enterprise must be a strategic one. The Maltese public enterprise sector -- as in many other developing countries -- must serve to mobilize resources, ideas and opportunities to create jobs, launch projects that have little prospects of short run returns, maintain infrastructural facilities running on reasonably transparent lines, contribute to industrialization and the growth of tertiary services.

The development process cannot be left solely to the private sector, both local and foreign, for an entrepreneurial gap would result. Not enough productive resources would be mobilised to achieve employment and wealth creating targets, that would be considered as acceptable by the Maltese population at large. The state must therefore intervene with its own resources, to help bridge this entrepreneurial gap.

In the years of the Labour administration, this conclusion was reached progressively, rather than overnight, in a single step. Public enterprises were set up as part of a policy choice that said basic infrastructural and financial services should be run by the state, clearly an ideological choice. Other enterprises were set up because only the state could apparently do so in Malta, with success. Other enterprises became public because they had gone bankrupt under private management, and the state felt it needed to keep them going in order to preserve jobs and skills. Other enterprises were set up by the government as straight entrepreneurial initiatives, many earmarked to penetrate export markets. Other enterprises were established to give life to diplomatic initiatives meant to promote regional economic cooperation. Yet others were set up to work on large scale government projects as self financing operations in preference to launching these projects through departmental-type organisations.

The formats chosen for public enterprises under the Labour administration ranged from enterprises set up under a specific law, to companies with Finance Ministry or M.D.C. shareholding, to joint ventures with local private interests, foreign private interests, foreign state interests, or a mixture of such interests. This listing of how and why public enterprises came to be set up is certainly not an exhaustive one.

Under the present Nationalist administration, it has been stated that the private sector will be expected to become the motor of the economic development process. Implicit in this declaration, must have been the idea that the public enterprise sector would not be allowed to expand, and would indeed be made to shrink. The available evidence seems to indicate that this process will indeed be a very difficult one. Between August 1987 and August 1988, actual employment in companies with government and M.D.C. majority shareholding increased marginally from 11,133 to 11,291. There was a decline in direct production employment with public enterprises during this period: from 5236 to 5,086, largely due to the sale of the government's 50% stake in the Medical and Hospital Products company. But in market service employment with public enterprises, there was a growth of over 300 jobs in the year to August 1988 - from 5,897 to 6,205. The dragging negotiations over the Dragonara Casino, and the Chambrai project in Gozo, continue to point to the difficulty which the state will encounter if it tries to divest itself of the strategic requirement for it to help bridge over the entrepreneurial gap.

Once this has been realised, it proves possible to discuss realistically, away from political rhetoric, the problems that affect public enterprise performance. Indeed, I believe that the priority in this sector, is not to agonise over the "to be or not to be" question. Rather, it is to develop a managerial technology by which to help public enterprises perform with ever greater technical and economic efficiency. In this sense, the difficulty clearly rises from the fact that the government as shareholder is never seeking simply to maximise financial returns - as is assumed to be the case in the private sector. It is also interested in political and social returns. Moreover, the government cannot be seen as a single decision maker. It is made up of a number of individual decision makers, who while taking part in the process of government, are also pursuing individual personal and ideological strategies.

The well-worn example of politicised employment processes in the state sector illustrates of course, the drag on public enterprise when they come to maximize efficiency. It would be obtuse not to recognize this problem, or to assume that it only happens under just one kind of administration. Political patronage and the spoils system are the extensive monopoly of no country and no political party. In the last eighteen months or so for instance, the myth that Labour alone indulges in patronage for state jobs and appointments has been effectively blown out of the water, as the spoils system under the present administration extended itself in a big way to previously insulated domains, like the University, the Central Bank, and important niches of the civil service.

However, to be fair, it is also the case that private sector

initiative is not always so stringently efficient as it is drummed up to be. Jobs and directorships are quite often assigned on the basis of family connections and insider relationships, independently of economic efficiency or merit, while competition is all too frequently reduced to an oligopolistic collusion.

It is within this framework that the role of the public enterprise sector in the Maltese economy must be studied and enhanced. It is futile to require changes in the environment within which the public enterprise sector operates, as a precondition for improving its operations. That environment is there, and will continue to stay there, for as long as the Maltese political system remains what it is.

Even so, in my view, there is still more than enough margin for action to improve public enterprise performance. Whatever government is in place, such an improvement can only be in the national interest. A managerial technology by which to attempt operating improvement must however be grounded on the realisation that public enterprises are a specific form of micro-organisation and must be understood as such. It is useless to try and strait-jacket public enterprises in the serene platitudes one finds in economics textbooks, usually of the American kind. A more down to earth, pragmatic approach is required.

Meanwhile, the questions about the future and present scope of the public enterprise sector must be approached. For long years during the Labour administration, hard-voiced private sector representatives who have since become tongue tied, would insist that the government draw up a map, defining the boundaries of public enterprise once and for all. Surely, if the public enterprise system is to be a pragmatic response to the entrepreneurial gap which Maltese economic development must bridge, then no such boundaries can be drawn. Sometimes, for pragmatic reasons, it will be necessary to advance in one direction. At other times, it will be necessary to change towards another direction.

Nor as some pretend, should public enterprise be restrained out of the importing system, and this again for pragmatic reasons. Imagine if such a guideline had been seriously adopted and followed, how it would have been possible for Malta to react to the oil crisis of 1973.

The public enterprise sector has problems, and will continue to have them for as long as it is maintained. Among the most important are problems arising from the criteria by which decision makers can arrive at assessments of risk, when making investment decisions. Another important question relates to the best ways and means by which to promote more efficient cooperation between the private sector and the state enterprise sector.

All these and similar questions must be faced pragmatically if the strategic role of public enterprises in Maltese economic development is to be fulfilled in a reasonably effective manner.





HUMAN RESOURCES DEVELOPMENT - A MAJOR INVESTMENT

Professor Dr John Harper, BSc., MBA, PhD

Technological change, innovation and the need for increased competitiveness drive the upgrading of skills in today's workforce. Added to these trends in business life are the changing values and expectations of the new entrants to the workforce. These factors have placed Human Resources Management in a fundamentally strategic position in the commercial equation. But unless human resources are to be regarded as a key investment in the future (rather than merely a cost in wages and training) then employers must expect to lose ground in the competitive race to the 21st century.

This paper examines the ways and means in which new skills must be developed and applied into tomorrow's business world.

A New Universe

New technology, participative management, sophisticated quality controls, customer service, just-in-time production - the reality of tomorrow's high-tech workplace, have already invaded today's businesses. For both current and future employees, this means that the workplace has become a changing universe, requiring new or expanded skills if workers are to operate it effectively. But for many, the mastery of skills that would make them full partners in this new world is simply out of reach. While not new, the workplace skills problem continues to grow out of a volatile mix of demographic, economic, and technical forces. These forces are creating a human capital deficit that threatens Malta's competitiveness and acts as a barrier to individual opportunity for all Maltese.

The nation is facing a harsh techno-demographic reality that will not go away. The supply of qualified new workers is mismatched, and employers will have to reach into the ranks of the less qualified to get their entry-level workforce. An increasing number of workers will come from groups of people whose development has historically been neglected.

At the same time, employers are seeking workers who are prepared to acquire new skills quickly. Employers know that as technology becomes more instantaneously available worldwide, the availability of a highly skilled workforce will give them the competitive edge.

Workers are being challenged as never before by an expanding range of skill requirements. To be successful today they must be able to work with less supervision but at the same time be able to identify sophisticated problems, and also make crucial decisions.

Today's jobs demand not only skill in reading, writing and computation, but much more besides. Employers need a new kind of worker with a much broader set of skills - or at least a strong foundation of basics that will enable them to learn on the job.

Without these essential skills, the workforce, including entry-level, dislocated, and experienced workers, will have difficulty adapting to economic and technological changes. Also beyond the reach of an ill-prepared workforce are successful job transitions and career growth.

The most devastating impact of these skills deficiencies falls on the disadvantaged. Already outside the economic mainstream, they struggle to get job or avoid being displaced. But poor skills levels block their path to today's more demanding, well paying work. They are pinned at the bottom of the economic heap.

What new skills?

Technological change, innovation and heightened competition drive the upgrading of skills in the workplace. Competitive challenges motivate organisations to use an array of strategies that call for innovative, adaptable workers with strong interpersonal skills. Business strategies - such as collaboration, exemplary customer service and emphasis on quality - require workers capable of teamwork, listening, creativity, goal-setting, and problem solving.

With the movement towards more participative management, employers are aggressively pushing decision-making down through organisational levels to workers at the points of production or delivery. As their jobs become more complex and less repetitive, these employees gain greater autonomy and authority. To perform well, however, they must have the broad set of skills once required only by supervisors or managers.

In the past, for example, a bank cashier's primary responsibility was to repeat accurately a small range of tasks - monitoring cheques in and money out, and reconciling. But competition has forced banks to attract customers by offering "one-stop" financial services and advice, and so the cashier's role has been expanded.

Now privy to information once reserved for middle-level managers only, today's cashier advises customers on a variety of

customized financial services. Linked to information by computer, the new bank cashier must quickly access data needed for decisions. To be effective, the cashier may not need a high skills-level in a narrow area of expertise, but must have a wider range of skills.

Beyond good basic reading, writing and computer skills, employers expect competence in creative thinking, personal management, and interpersonal-relations. Also critical are abilities to organise and verbalize thoughts, to conceptualize, resolve difficulties on-the-spot, and to work in teams.

Today's workplace requires employees to have not only the standard academic skills, but also other key basics as a foundation for building broader, more sophisticated job related skills. These additional basics are:

- * Learning to learn - the ability to acquire the knowledge and skills to learn efficiently, no matter what the learning situation;
- * Listening - the ability to heed the key points of customer's, suppliers' and co-workers' needs;
- * Oral communications - the ability to convey an adequate response to these needs;
- * Problem solving - the ability to think on one's feet, but systematically;
- * Creative thinking - the ability to come up with innovative solutions;
- * Self-esteem - to have pride in one's ability and to transmit this through work. To believe in ones potential for success.
- * Goal-setting/motivation - the ability to know how to get things done and why;
- * Personal and career development skills - the awareness of the skills (and standards) needed to perform well in the workplace;
- * Reading and writing creatively - clear thinking begets clear communication. The ability to write depends on the ability to plan ideas before putting them down, and then being able to express them clearly;
- * Interpersonal skills - the ability to get on with customers, suppliers and co-workers;

- * Teamwork - the ability to work with others to achieve goals;
- * Negotiation - the ability to build consensus through give and take;
- * Organisational effectiveness - the understanding of where the organisation is heading, and how one can make a contribution;
- * Leadership - the ability to assume responsibility and to motivate co-workers to do likewise, when necessary;

THE FOUNDATION

HOW TO TRAIN IN THE NEW BASIC SKILLS

Learning to learn

Employees who know how to learn can help their organisations meet strategic goals by efficiently applying new knowledge to their work. Their learning ability can affect productivity, innovation and competitiveness, by knowing how to learn, individuals can achieve competency in workplace skills from reading to leadership. Without this basic skill, their learning isn't fast, efficient or comprehensive.

Trainers seeking to teach staff the skill of learning how to learn should try to identify the type of sensory stimulus - whether visual, audial, or tactile - that helps each employee learn best, and then design multiple-use training that addresses all preferences. Training should include varied learning strategies and analytical approaches, and then provide instruction on the most effective ways to apply these tools.

Competence: Reading, Writing and Computation

To compete successfully, employers need a workforce solidly grounded in these three academic basics.

It is estimated that workers spend up to two hours each day reading forms, charts, graphs, manuals, and computer screens. The use of computer-assisted machinery also requires reading skill.

Writing is important because it is the primary means of communicating policies, procedures and concepts. It is often the first step in communicating with customers, interacting with machines or developing new ideas.

Computation is called for when working with inventories, reports, and measurements. Methods such as statistical process control (SPC) demand even higher mathematical skills.

When trainers teach traditional academic skills in the workplace, materials and concepts should be job-based, because relating the training to the job produces the quickest, most effective, improvements in performance. Guidelines for training in writing, for example, must conform to actual uses of writing on the job. If workplace writing entails analysis, conceptualization, synthesis and distillation of information, then the training should do the same.

Training in workplace maths should also relate directly to the job. Instructional materials should simulate specific job tasks. This approach builds on what the learner already knows and emphasizes problem identification, reasoning, estimation and problem solving.

Communication: Listening and Speaking

Success on the job is directly limited to good communication skills. Almost all work calls for some form of communication, either with other employees or with customers. Central to competitiveness, communications skills help employees get and keep customers, inspire innovation, contribute to quality circles, resolve conflict and give meaningful feedback. Poor communications skills, resulting in lost productivity and errors, can cost companies heavily.

Instruction in oral communication should focus on the importance of voice inflection and body language. Training should help employees understand that the communication styles they use affect how others perceive them and comprehend their message. Employees should learn to recognise their dominant styles of communication and how they manifest these styles. They should learn to value and understand how listening style affects relaying and receiving information. Instruction should focus on five critical skills:

- listening for content,
- listening to conversations,
- listening for long term contexts,
- listening for emotional meaning,
- listening to directions.

ADAPTABILITY: Problem Solving and Creative Thinking

To achieve objectives, organisations often must overcome the trainers to improved productivity and competitiveness by making

problem-solving and creative thinking critical at all levels. Unresolved problems cause dysfunctional relationships and ultimately impede an organisations' flexibility in attempting to deal with strategic change in open-ended, creative ways.

Problem-solving skills include the ability to recognise and define problems, invent and implement solutions, track and evaluate results. Cognitive, group - interaction and problem-processing skills are crucial to successful problem-solving should simulate real problems and be connected somehow to organisational goals.

Creative thinking produces new approaches to doing things, essential for organisation development. Through creative innovation, individuals or groups develop new activities that can, for example, expand markets and improve productivity.

Training in creative thinking should expand thought processes by allowing a departure from conventional wisdom. For example, exercises in finding connections between seemingly unrelated ideas can promote creativity. Most training in creative thinking involves problem solving, self-awareness and development, and group team building activities.

Personal Management: Self-Esteem, Goal-Setting/Motivation, Personal and Career Development

In the past, employers believed that intangible personal management skills - self-esteem, goal-setting and motivation, and awareness of personal/career development - were the skills an employee brought with him from outside the organisation. But the new challenges are persuading employees to provide training in these areas in order to make their workforce more productive, more competitive.

A person's effectiveness at work is a measure of self-esteem and personal management. To achieve on-time production and to exceed quotas, for example, employees must be capable (and feel they are capable) of setting, and meeting, targets.

Key elements of self-esteem training include helping employees to recognise their present skills, to become aware of their impact on others, to learn how to cope with stress, change, criticism etc, and to show them how to go beyond self-imposed limits.

Self-esteem and motivation form the foundation for personal and career development skills. Employees with these skills increase their value at work and in the job market, and tend to have smoother job transitions and more positive training experiences. Training in personal and career development skills includes tech-

niques for expanding skills for planning and managing a career. Goal-setting is important, as are individual career profession models that explore the training and education necessary to meet career goals.

Group Effectiveness: Interpersonal Skills: Negotiation and Teamwork

These skills are the basic tools for achieving the flexibility and adaptability that the workforce must have to be competitive. The team approach has been linked conclusively to higher productivity and product quality as well as to enhanced quality of working life.

Strategies for organisational change usually depend on employees' abilities to put together and refocus on common goals. Such successful interaction depends on effective interpersonal skills, focussed negotiation, and a sense of group purpose. The quality of these three factors defines and controls working relationships.

Interpersonal skills training helps employees recognise and improve their ability to judge appropriate behaviour; cope with undesirable behaviour in others, absorb stress, deal with ambiguity, listen inspire confidence in others, structure social interaction (vital to well-run meetings), share responsibility and interact easily with others.

The key to defusing conflicts that can hinder productivity and the achievement of strategic goals is to improve employee negotiating skills at all levels. Training in this skill includes techniques of separating people from problems, focusing on interests rather than positions, inventing options for mutual gain, and insisting on the formation of objective criteria. It also relies on a sound base of interpersonal skills and a clear understanding of the best approach for particular circumstances.

Interpersonal skills and negotiating skills are the cornerstones of successful teamwork. The main objective of training in these skills is to develop an inventory of skills/attitudes that are observedly successful in resolving problems and fostering innovation.

Team members must know how to recognise and cope with varied personalities. They must understand other cultures than their own and what that means to teamwork. They must also understand group dynamics which evolve and change as the team approaches its goal. And they must be aware of other members' technical skills and where to apply them.

Influence: Organisational Effectiveness and Leadership

Once associated with those on the fast track, these skills are now basic requirements in the workplace. To compete in world markets, employers need people throughout the organisation who can function effectively with organisation goals, assume responsibility willingly, and motivate co-workers to exceptional performance.

To be effective, in the organisation employees must understand how their organisation works and how their own actions effect objectives. If they can identify obstacles to these objectives, they can become master problem-solvers, innovators and team builders.

Training in organisational effectiveness focusses on helping trainees to understand what organisations are, why they exist, and how to deal with their social realities. With this understanding trainees can then analyse organisational culture - its values and norms of operation.

Organisational skills are the basis for leadership. In the organisation's power structure, an employee becomes a leader either by virtue of authority and title, or by cultivating the respect of peers projecting a sense of reliability, being goal-oriented and demonstrating vision.

Training issues for leadership include understanding the organisation's strategies and tactics for achieving its goals; leadership as an exchange process between leaders and followers; approaches for the task-centred leader, strategies for sound decision-making; developing and communicating vision, influencing the behaviour of others and the importance of emotional stability.

CONCLUSION

The Final Results

Today, basic skills in the workplace - taken for granted in simpler times - are becoming a crucial issue for many organisations. In a world of new technology and changing social values, many organisations find that in order to get the best out of the available workforce - and the best out of their marketplace - they must creat job-specific basic skills training programmes.

To compete in worldwide markets through to the 21st century Malta must make a substantial investment in the development of her human resources. The implications for this are just as portentions as any capital investment in plant and machinery, and will

affect organisations over many more years than the gradual writing-off of machinery. The marginal benefits accruing are of course increasing productivity and highly motivated staff capable of surviving the trauma of technological changes in the workplace. From the outside the enhanced attractiveness of an increasingly skilled labour force adds a great deal impact to our efforts overseas at promoting inward investment.