



New social measure initiatives in Malta's 2017 Budget: an update on implementation

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Description

Malta's budgets have been consistently used by successive administrations as instruments to consolidate social policy. The budget for 2017, presented in October 2016, represents another step in this direction. This report seeks to evaluate the nature of the social measures announced in the budget, and the extent to which they have been implemented so far. Most of these measures are simply a consolidation of previous policies with "automatic implementation", but a few are innovations that still need to be implemented.

Malta's budget for 2017 includes a number of social measures. Most of them are essentially a consolidation of existing policies and have been "automatically" implemented, but a few are innovations that still need to be implemented by the new government (general elections were held in June 2017 and won by the same party, the Labour Party). Unless specified below, all the measures became effective as from 1 January 2017.

The measures included in the 2017 budget can be grouped into four broad categories – pensions, long-term care, housing and other targeted measures.

Pensions

1. The minimum old-age pension was increased by €4 per week (€208 per year).
2. The first €1,866 of a "service pension" is no longer taken into account in reducing the old-age pension. This represents an added income of €200 per annum for persons who are entitled to a social security pension and another pension derived from their employment in the security services or from their employment with the British services when Malta was still a British colony.
3. Pensions have been increased by up to €20 per week to eliminate any kind of gender discrimination.
4. The annual bonus payable to those persons who have reached retirement age but have not yet reached 75 years and are not entitled to

receive a pension has been increased by €50.

5. Following the enactment of ad hoc legislation, Savings Bonds will be introduced for pensioners offering higher than market interest rates. It is envisaged that this will be launched during the summer of 2017.

6. Amounts equal to social security pension entitlements will become tax free over a two year period starting fiscal year 2017.

Long term care

7. The Carers' Pension was re-named "Increased Carers' Allowance" and is no longer means tested.

8. The Increased Carers' Allowance was increased by €35 to €140 per week (€1,820 per year).

9. The Carers' Allowance was increased by €14 to €90 per week (€728 per year). This allowance will still be means tested.

10. An annual grant of €300 will be paid, as from 2017, to each person of 75 years and over still living in his/her own household.

11. Financial assistance (amounting to a maximum of €5,200 per annum) will be made available to the elderly who are on a waiting list for admission into a home for the elderly so that they may employ a full-time or part-time care worker.

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Housing

12. The rental subsidy granted by Government to low-income families has been doubled. The criteria for eligibility will also be widened. Precise details have not been announced yet.

13. Rents on houses leased from the Government will not be increased upon renewal and there will be a refund on the increase imposed in 2013.

Other targeted measures

14. The disability pension has been reformed so as to introduce 3 levels of Disability Pension providing in general for a wider entitlement.

15. Full time students who have not attained the age of 24 years and who work on a self-employed basis are being allowed to pay social security contributions on a pro rata basis at the rate of 15% of their net earnings.

16. An €8 million Euro Fund will be established to cater for inequalities suffered by persons in the past such as ex-employees of the Malta Electricity Board, police overtime etc. The Fund is intended to settle pending claims but will only do so partially.

17. The period of free medical coverage has been extended from three months to one year for persons with disability under the Pink Form scheme.

18. The means test applicable for non-contributory benefits has been increased to €23,300 per year for married persons and €14,000 for single persons. This results in an increase in the ceiling of €7,000 for married persons and approximately €4,700 for single persons i.e. a widening of the entitlement.

19. The ceilings and rates for the purposes of calculating the In-Work Benefit and Supplementary Assistance have been increased to assist low income earners.

Outlook & commentary

Most of the measures seek to improve the financial conditions of beneficiaries, particularly through improvements in state pensions and various measures in favour of pensioners (measures 1 to 6), thus allowing for more affordability for personal care through the recruitment of carers in the community (7 to 11); to mitigate the explosion of rental rates as a result of the increased demand generated by foreign workers and their families (12, 13); to at least mitigate inequalities, esp. those resulting from past policies (5, 14, 16, 17 and 18); and to encourage active participation in the productive economy (15, 19).

But the real innovative initiatives are measures 5, 11, and 15. Measures 5 and 11 will significantly improve the plight of the elderly who wish to remain in the community by improving their returns on private investment (which have been substantially eroded by the very low interest rates) and by providing them with financial resources to recruit personal carers. Measure 5 has not been implemented yet, but it is due to be implemented during the summer of 2017. Measure 11 had initially been launched as a pilot project and started to be implemented in 2016. Measure 15, implemented since 1 January 2017, was necessary because with extended education into maturity, more students are making it possible for themselves to continue their education through part-time work. But if not helped to pay social security contributions, they may end up without a full pension when they retire because they would not satisfy the minimum number of weekly contributions required. Other than the indications given on measure 5 as described above, there is no information available on when measure 11 will be fully implemented.

It is to be noted that in the electoral programme of the two major political parties prior to the recent general elections (June 2017), a number of new policy measures were promised. Those of the winning party are likely to be implemented gradually throughout the legislature. A proper evaluation needs to wait until concrete action is taken, or whether as time goes by, these are simply forgotten.

Further reading

Xx"[Budget 2017: Pensions and pensioners given a boost](#)". *The Malta Independent*. 18 October 2016.

[Deloitte. 2016. Malta Budget 2017: Social Measures.](#)

[Malta Government: Ministry of Finance. 2016 *Gid li jasal għand kulhadd*.](#)

[Malta Government. 2016. *Malta Budget 2017 – A review and Commentary*](#)

[Malta Government. 2016. *Malta Budget 2017 – Social Measures*](#)
[TVM. Current News. 17 October 2016](#)[Look at: the social measures announced in the 2017 Budget.](#)

[WDM International. 2016. *Malta Budget Highlights 2017*.](#)

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