



# **ESPN Thematic Report on Social Investment Malta 2015**

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**EUROPEAN SOCIAL POLICY NETWORK (ESPN)**

**ESPN Thematic Report on  
Social Investment**

**Malta**

**2015**

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## Summary

- Social investment is not a specifically explicit and central theme in Malta's social policy but it is very strongly latent.
- Recent initiatives in respect of early child care and development demonstrate a very strong social investment component. The introduction of free child care, the increase in tax exemptions for paid child care and the Early Hour initiative (when children can be dropped early at school and served breakfast) demonstrate a strong social investment emphasis.
- The social protection system is being systematically re-aligned from a relief paradigm to a more initiative/training orientation. This is intended primarily to wean persons away from benefit dependency in favour of seeking active employment.
- The introduction of numerous courses for training, re-training and development at various levels and for various segments of the population, together with support for child care services for their duration for child rearing parents is clearly underpinned by an interest in investing in the development of human capital.
- The spreading out of the stress on small firms through the creation of a special fund, supported by all employers, to replace the current system in which the individual employer has to pay for the first 14 weeks of maternal leave of his/her employees, is clearly a move to use social policy as an investment tool. The government aims to increase (by 0.3%) the national insurance contribution paid by employers in order to create a fund from which maternity leave can in turn be paid. However, employers want government to share the burden of the contemplated increase.
- The state is directly funding an additional four weeks of maternity leave. These are in addition to the first 14 weeks of leave. By doing so the state is relieving individual employers from the extra expense to cover this extension. This measure further emphasises the state's interest in supporting female labour market involvement. The increasing use of teleworking, though not directly a social policy, provides further support for parents' labour market activity.
- Policies, such as 'parent income tax rates' and free childcare centres are encouraging women to return to the marketplace.
- At the same time, loss of revenue resulting from raising tax thresholds has not resulted in reductions in social welfare provisions, but has indirectly hit persons in the lower income groups, even those earning the statutory minimum wage, because differentials have increased, thus resulting in higher levels of persons-at-risk-of-poverty. Arguably these measures are not social investment oriented.
- In long-term and medical care, the expansion and upgrading of services, especially in the public medical sector, which is completely free, reflects a clear egalitarian social investment orientation.
- Malta has a fairly comprehensive safety net, but the social investment ethos needs to be expanded further to ensure that existing inefficiencies in the public sector are systematically addressed.
- It is therefore fair to state that Malta's social policies are essentially focused on social investment but residues of insufficient provisions and some segments which are not covered enough require attention.

## **1 Assessment of overall approach to social investment**

This report seeks to analyse whether recent social policies in Malta have followed the aspirations set out in the 2013 European Commission's *Social Investment Package (SIP)*. Social investment policies are understood as policies intended to improve human and social capital and to support a person's participation in economic and social life, as well as pre-emptive policies to confront new social risks and poverty.

Successive administrations in Malta have very rarely referred specifically to social investment as such, but the redistributive mechanism of Maltese social policy, taken as a whole, can be said to be based on the improvement of human and social capital to ease individuals from their current situations, at various stages of their life-cycle, and to improve their chances of less stressful situations later on in life. The measures which have been developed over the years in stages are complementary to each other, and they are administered as such.

Fiscal consolidation in Malta has been and still is a matter of concern to the planners, but since the recession did not adversely affect Malta as badly as it affected other member states, social policies in Malta continued to be improved and new services developed. In recent years, there has been an upsurge in the development of personal social services, but this was not implemented at the cost of reductions in purely financial support or assistance. Indeed in a number of instances entitlements were increased rather than decreased as happened elsewhere. The social policy budget, incorporating the segment spent on free medical services, has continued to grow, even though voices are often heard questioning its long term sustainability. But the social concern and care component remains at the core of policy in Malta. Although the importance of transfers is not underestimated, recent emphasis has been on training, development, workability and achievement.

This does not mean that levels suffice to meet demand in all sectors. The increases in the at-risk-of-poverty among children, and to a slightly less extent among pensioners, are a matter of serious concern.<sup>1</sup> Jobless households have not increased tremendously, but the figures show that when they exist, the multiplier effect on children's plight is evident. Similarly, the general increase in incomes has adversely affected those segments of the population whose income, though guaranteed by statutory minimum income levels, has not increased in the same proportion. The same can be said of pensioners who are affected by the same mechanism of less than proportional increases and a nominally two-thirds pension that is capped well below current salary levels.

Despite these difficulties however, it can be safely stated that Maltese social policies seek to improve human and social capital not only through financial provisions to alleviate need, but also through the creation of opportunities that provide children, mothers and especially the unemployed with routes for self-development and improvement. Some of these initiatives will not have immediate effects, but because they are essentially educational, are bound to have far more lasting effect than if they had simply been cash transfers.

## **2 Assessment of specific policy areas and measures / instruments**

### **2.1 Support for early childhood development**

#### **2.1.1 Early childhood education and care**

Malta's social policy framework does not specifically list social investment as its main objective, but the following sections will clearly show that the various measures in the educational and medical fields are intended to improve the quality of life of both

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<sup>1</sup> See Bouget et al. (2015), Annex 3, Figure A3b.

children and parents during early years, as well as helping mothers remain gainfully employed.

The main impact on early childhood care was brought about by the introduction of free child-care to working/studying parents as from April 2014<sup>2</sup>. Childcare centres continue to open to accommodate the ever-growing number of females working. During 2014, there was increased demand for such services and many requests for care workers. By 1 September 2014, the number of centres had increased to 72 from 70 just a few months earlier, of which 55 were privately owned. The policy's main effect has been on the increase of females in employment and in the five month period between April and September 2014, more than 1,000 women had applied for the scheme. In fact, according to the Chairperson of ETC (the Employment and Training Corporation), "25% of the 7,000 people (who) entered employment for the first time since April were mothers"<sup>3</sup>. The Minister for Education and Employment stated that by the beginning of September 2014, there were 3,300 children attending childcare centres, of which 2,722 were receiving the service free of charge<sup>4</sup>. Replying to a parliamentary question, the Minister said that by December 2014, the amount had increased to 3,857 children, costing €5.2 million in just eight months<sup>5</sup>. One of the benefits of such centres relates to the diversity of children, who come from different social environments, which leads to significant effects on their formation and their acceptance of one another. Government is confident that the benefits from this policy initiative will be significant and also long term, though this will cost taxpayers €10,000 per child over a period of three years. In November 2013, the government had anticipated that there would be a 30% increase in the demand for childcare facilities, costing an overall investment of €3.8 million. The cost covers the actual hours at the centre plus one hour for commuting purposes and is geared for children from birth to 3 years of age, when they qualify for kindergarten.

The Malta Union of Teachers however, has suggested that the conditions governing the employment of child-carers are not very good and even warned that there are workers already seeking alternative jobs<sup>6</sup>. Since the level of unemployment is low, this may put pressure on wages for this category of workers to increase, since the main complaint seems to be about financial compensation. The Minister for Education and Employment has replied that more calls for child-carers will be issued soon to 'compensate for a potential shortage of personnel'<sup>7</sup>.

The National Council of Women (NCW) has spoken out in favour of social investment in the form of free childcare centres, maintaining that this is "an important incentive for more women to join the labour market or further their education"<sup>8</sup>. Since child-

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<sup>2</sup> Free Childcare is available only to parents who are working or in education. Others have to pay for childcare. See Terms and Conditions at <http://education.gov.mt/en/resources/News/Documents/Terms%20and%20Conditions%2004.02.2014.pdf>. In view of the recent introduction of this scheme, and the way it has completely changed the childcare provision situation in Malta, current expenditure data cannot be compared with current expenditure in other Member States. Comparison will make sense only when data starting from 2014 becomes available.

<sup>3</sup> See Malta Today on 1 September 2014 [http://www.maltatoday.com.mt/news/national/43023/number\\_of\\_children\\_receiving\\_free\\_childcare\\_rises\\_to\\_2700#.VL3xRst0zIU](http://www.maltatoday.com.mt/news/national/43023/number_of_children_receiving_free_childcare_rises_to_2700#.VL3xRst0zIU).

<sup>4</sup> Ibid.

<sup>5</sup> See Malta Today on 13 January 2015 [http://www.maltatoday.com.mt/news/national/48375/52\\_million\\_spent\\_on\\_free\\_childcare\\_for\\_4000\\_children#.VL3x-st0zIU](http://www.maltatoday.com.mt/news/national/48375/52_million_spent_on_free_childcare_for_4000_children#.VL3x-st0zIU)

<sup>6</sup> See Times of Malta on 9 January 2015. <http://www.timesofmalta.com/articles/view/20150109/local/Childcare-centres-may-be-hit-by-exodus-of-workers.551111>

<sup>7</sup> See Times of Malta on 11 January 2015. <http://www.timesofmalta.com/articles/view/20150111/local/Call-for-more-childcare-assistants-to-avert-crisis.551323>

<sup>8</sup> See Malta Today on 4 March 2014, quoting the NCW chairperson Mary Gaerty <http://www.maltatoday.com.mt/news/national/36382/women-s-council-highlight-importance-of-free-childcare-20140304#.VL30s8t0zIU>



mindings tends to continue to be a woman's domain in Malta, such an initiative was particularly welcomed by women's groups.

### 2.1.2 Family benefits (cash and in-kind)

Family benefits are also perceived as social investment with long term effect in Malta. These include children allowances, maternity leave, paternity leave, parental leave, adoption leave, foster care leave, marriage leave, responsibility leave, job-sharing, tele-working, flexi-time and reduced hours. Unfortunately these benefits are mostly associated with the public sector and tend to be less visible in the private sector. In December 2014, a simplified process was announced, whereby information regarding families entitled to children's allowances will be taken directly from forms filled in for new-born babies, and the minimum amount of the child's allowance will be deposited in the family's bank account.

In order to accommodate working parents, government has also introduced the Early Hour School Service, where children can be taken to school one hour before actual school begins and be provided with a healthy breakfast<sup>9</sup>. This helps working parents, provides children with a healthy beginning to the day and encourages socialization for young children at an early stage.

Working parents who do not make use of the free childcare, have had their deduction in income tax for childcare services increased from €1,300 to €2,000<sup>10</sup>. In consequence, the Ministries for Family and Social Solidarity, and for Education and Employment, have together seen an increase in their budget allocation for 2014, of just over €90 million.

The Budget for 2015 has launched several initiatives affecting families. Among these there is an in-work benefit scheme, which will be paid to low-to-medium income families where both parents are working and who have dependent children under the age of 23 years (provided the latter are still in education and not working). This applies also to single parents. The income tax rate for such parents is also different from married or single rates. Information technology is very important in today's world but not all families may be able to invest in hardware for their children. The One Tablet per Child initiative, which was introduced in 2014 as part of a pilot project involving over 300 children, will be evaluated in March 2015 with the hope that by October 2016, every child in the 4<sup>th</sup> year of primary school (normally children aged 8) will be issued with a Tablet. Furthermore, in order to encourage more reading among children, government aims to introduce a reduced VAT rate on e-books.

### 2.1.3 Parenting services

In 2014 the Ministry for the Family and Social Solidarity launched a public consultation for the 'Positive Parenting Policy'. The main aim of the policy is to provide instruments for children "to grow in an environment that is free from violence and conducive to their healthy development"<sup>11</sup> and includes not only parents but all carers of children. The policy acknowledges the cultural context of a family environment which seeks a work-family balance and thus needs family friendly measures to support the family so that both parents are able to actively participate in the well-being and upbringing of the children. Furthermore, since the number of children per family has tended to decrease over the years, such measures need to encourage families to have their "ideal number of children"<sup>12</sup> and the institutional structure should support this. The

<sup>9</sup> See National Report on Strategies for Social Protection and Social Inclusion 2014. Ministry for the Family and Social Solidarity, Malta. [www.ec.europa.eu/social/BlobServlet?docId=13172&langId=en](http://www.ec.europa.eu/social/BlobServlet?docId=13172&langId=en)

<sup>10</sup> Ibid.

<sup>11</sup> Government of Malta. Policy to support positive parenting. [http://www.google.com.mt/url?sa=t&rct=j&q=parenting%20policy&source=web&cd=1&cad=rja&uact=8&si=2&ved=0CB8QFjAA&url=http%3A%2F%2Fwww.coe.int%2Ft%2Fdg3%2Fchildren%2Fcorporalpunishment%2Fpdf%2FPositiveParentingBrochure\\_en.pdf&ei=wFw9Vi2NOvMyAP59oDADg&usq=AFOjCNErjRU9b8Iq4J0degnmGTN-n1vtw&bvm=bv.83829542,d.bGQ](http://www.google.com.mt/url?sa=t&rct=j&q=parenting%20policy&source=web&cd=1&cad=rja&uact=8&si=2&ved=0CB8QFjAA&url=http%3A%2F%2Fwww.coe.int%2Ft%2Fdg3%2Fchildren%2Fcorporalpunishment%2Fpdf%2FPositiveParentingBrochure_en.pdf&ei=wFw9Vi2NOvMyAP59oDADg&usq=AFOjCNErjRU9b8Iq4J0degnmGTN-n1vtw&bvm=bv.83829542,d.bGQ)

<sup>12</sup> Ibid.

policy suggests that more professionals work with parents, especially those likely to be more at risk, and thus calls for more specialized training to staff working with children and their families.

This policy was felt to be needed for a number of reasons: Maltese children tend not to confide in their parents, and particularly in their fathers; research<sup>13</sup> with children has shown that they want to spend more time with their parents; the number of children in out-of-home-care and unaccompanied minors arriving in Malta has increased; and institutional structures are needed for a more effective work-home balance for both parents. Furthermore, Malta has been seeing changes in the formation of families which have put pressure on traditional forms of parenting: these include the increase in single parents (25.13% of children were born out of wedlock in 2013)<sup>14</sup>; the increase of women in the labour market; the introduction of divorce in 2011; IVF legislation in 2012; and the Civil Unions Act in 2014.

There are already several services offered by government entities which aid parenting. 'Parent Craft Services' offered as part of antenatal services in hospitals aim to help, especially new parents, deal with changes to their lives due to parenthood. It is also planned to include grandparents and other carers in such courses. Other services are in the form of post-natal Well Baby clinics, offering information regarding immunization and feeding. Both courses are well attended. These are then complemented by parenting programmes offered by the Foundation for Social Welfare Services. However, as the Policy report suggests, there is a general lack of coordination between the different providers and the Policy suggests ways these can be improved.

### 3 Supporting parents' labour market participation

#### 3.1 Child Care

As described above, free child care services have been recently introduced and clearly promoted as a very important form of social investment to attract more females into gainful employment. As has already been stated above, these services are proving to be very popular, especially among females who would like to return to work. It must be emphasised however that as more females started to remain in gainful employment, childcare services in Malta were primarily provided by next of kin, especially grandparents. Whenever conditions permit, this is still the case. Most grandmothers in Malta still belong to a generation that was either never employed or stopped working upon marriage. They can therefore afford the time to provide free child care to their children's children. Increasingly of course things are bound to change as new generations of grandmas and grandpas (*nanniet*, as they are very fondly referred to in Malta), are themselves still in employment, and therefore cannot provide this service.

It is only for this reason that the figures in Table A3.1<sup>15</sup> for 2012 point to relatively low numbers of children under 3 in formal childcare. Over the last year as free services were introduced the numbers have increased. For the same reason the amount spent on child day care is low for the years 2008-2012 in Table B1<sup>16</sup>: many are still able to take their children to their parents on their way to work, and collect them in the afternoon or evening when they finish work. But a comparison of the 2008 figures with the 2012 ones already shows that the amount has increased five times, a clear

<sup>13</sup> Ibid. research by Abela A. et al and Currie C. et al, quoted on page 1 and 2.

<sup>14</sup> NSO (2014) International Day of Families: 2014, News Release 090/2014, published 14 May 2014. [http://www.google.com.mt/url?sa=t&rct=j&q=nso%20\(2014\)%20%20international%20day%20of%20families%3A%202014%2C%20news%20release%20090%2F2014%2C%20published%2014%20may%202014.&source=web&cd=1&cad=rja&uact=8&ved=0CB8QFjAA&url=https%3A%2F%2Fsecure2.gov.mt%2Fnsso%2Ftatdoc%2Fdocument\\_view.aspx%3Fid%3D3776&ei=yva9VMnUD-uoyqPw8YHQCA&usq=AFQjCNEcU1yic4V8wQXSq56foal28AqNcQ&bvm=bv.83829542.d.bGO](http://www.google.com.mt/url?sa=t&rct=j&q=nso%20(2014)%20%20international%20day%20of%20families%3A%202014%2C%20news%20release%20090%2F2014%2C%20published%2014%20may%202014.&source=web&cd=1&cad=rja&uact=8&ved=0CB8QFjAA&url=https%3A%2F%2Fsecure2.gov.mt%2Fnsso%2Ftatdoc%2Fdocument_view.aspx%3Fid%3D3776&ei=yva9VMnUD-uoyqPw8YHQCA&usq=AFQjCNEcU1yic4V8wQXSq56foal28AqNcQ&bvm=bv.83829542.d.bGO)

<sup>15</sup> Bouget et al. (2015), Annex 3.

<sup>16</sup> Ibid.

indication that working parents are increasingly looking for child care services and *nanniet* services are getting scarcer. Spending will remain low in comparison to other European Member States, but only as long as Maltese *nanniet* are available to offer free day-time child care, and as long as government child care services continue to be free.

### 3.1.1 Long term Care

Long term care in Malta has a very long history, having been initiated by the Church through its various Religious Orders looking after the infirm and those who had nobody to look after them in their final years. A number of homes were set up for this purpose, and several female religious organisations provided this service as part of the Christian ethic. Services provided very often were free, and even if a person could afford it rates did not bear too heavily on the individual concerned. The community provided, often through special bequests and legacies in favour of the church and these religious organisations. These services still exist and the church still runs a number of homes for the elderly. However it is becoming increasingly rare for children to continue to look after their elderly at home since the extended family, with more than one generation living under the same roof is fast declining. This increases the demand for institutional care. It also releases females, who were culturally expected to care for homebound relatives, to seek work outside the house. Long-term care facilities were more of a taboo in earlier years but have now become more accepted. This not only implies that a vacuum is created which can be filled by professional carers thus increasing employment possibilities, but also suggests that women need not be expected to stay at home. This implies a paradigm shift resulting from further education and new roles that women are carving out for themselves in the economy.

Over the years, the state also developed its services and currently there are thousands of elderly persons being given long term care in state run nursing homes as well as in privately run homes in which the state has contracted a number of beds. The government manages eight residential homes across the islands, catering for 944 residents (see <http://activeageing.gov.mt/en/Pages/Residential-Homes/Residential-Homes.aspx> for more details) and a residence which is partly a home and partly a hospital for those individuals who need medical attention. This institution caters for over 1100 residents. There is another such institution in Gozo but on a much smaller scale. A project for another elderly home in Gozo is in the pipeline. The government provides assistance by buying the services from ten private homes on a public-private partnership basis. Furthermore, state services offer 21 day centres which provide for social and educational activities, physiotherapy, and outdoor activities, whilst also catering for inter-generational events by inviting students to interact with older people. The active-ageing policy encourages more participation by the elderly. Legislation regarding minimum standards in elderly homes was launched late last year, since these institutions have increased and the trend is expected to continue.

In effect the figures of Table B2<sup>17</sup> clearly show that in comparison with the rest of Europe, the percentage spending of GDP for 2006 – 2008 is on the higher side, at 0.6% for 2006, 0.57% for 2007 and 0.52% for 2008. The average for the EU is 0.05%, and amongst all Member States, the highest reported figure for 2008 is 0.07% in the Netherlands.

Since 1987, successive administrations have effectively sought to upgrade the services provided in state run long term care. Although substantial efforts are made to help the elderly in the community through a number of subsidised services like the Home-help scheme, the Telecare service, and Meals on Wheels, many elderly actually seek refuge in one of the three types of homes available in Malta (Church run, Privately run and State-run). The increased demand is also due to the fact that with the expansion in the number of females gainfully occupied, the availability of family members, generally females, available to look after their elderly relatives on a long-term basis is

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<sup>17</sup> Ibid.

becoming scarcer. To assist those who actually decide to do so, a Carer's pension was introduced, available only to close family members. This form of social investment, though helpful, is limited and does not constitute a good enough incentive for a person to stay out of the labour force for an unknown period. Looking after one's elderly family members is culturally considered very important in Maltese family life. Therefore taking care of one's relatives is considered to be more culturally acceptable than finding a job and engaging a stranger to take care of that relative. Although elderly care facilities have increased in recent years, this does not suggest that carers at home have drastically decreased. The carer's pension actually works out to be a preferential form of social investment when compared to the cost of housing the elderly in homes. Keeping the elderly in the community is much more preferable from a social policy point of view and complements the government's aims to promote active ageing policies, as described above.

### 3.1.2 Maternal/paternal/parental leave schemes

Maternal leave in Malta is well established and has become accepted despite the stress it creates at the micro level because of the small size of Maltese firms. Absence from work for a relatively long time not only affects a firm financially, but also organisationally and there has been pressure for leave not to be increased to European standards.

Current provisions<sup>18</sup> differ for employees, self-employed and unemployed females, as follows:

- *a female employee* is entitled to a Maternity Leave Benefit of fourteen weeks on full pay, hitherto payable by the employer<sup>19</sup>. A new mother has the right to be out of work for a total of 18 weeks on maternity leave but the four remaining weeks she is entitled to a maternity benefit from the social security system, payable by the state at the rate of €166.26, i.e. minimum wage rate. A woman has the right to return to the same position, the same role and the same wage after maternity leave or when this is no longer possible for a valid reason, to equivalent or similar work which is consistent with her original contract of employment. If a mother does not resume work after the birth of her child or, having resumed work, terminates her employment without good and sufficient cause within 6 months of the resumption of work she shall be liable to refund the wages received during the maternity leave she availed herself of.
- *A self-employed female* is entitled to a Maternity Benefit of fourteen weeks, payable by the state at the rate of €166.26 per week, the level at which the minimum wage is currently set, up to €2,327.64
- *An unemployed female* who is a citizen of Malta or married to a citizen of Malta, or is a citizen of a European Union Member State, or a citizen of a member country of the European Social Charter, or has a refugee status and is ordinarily resident in Malta or Gozo can also receive the Maternity Benefit of €1,222.90 payable at the rate of €87.34 per week for fourteen weeks.

The above benefits apply equally to persons who adopt a child.

The above are the minimum entitlements in law. Individual collective agreements often provide for longer entitlements, normally unpaid.

A very important social investment initiative was announced in the 2015 budget: a new fund is being set up to assist small employers. Each employer would contribute a fixed but relatively small amount which has not yet been decided for each of his/her employees. Maternity Leave Benefits would then be paid out from this fund and not

<sup>18</sup> Full provisions are provided in subsidiary legislation at [L.N. 439 of 2003 - Protection of Maternity \(Employment\) Regulations](#). The figures quoted in the following paragraphs are the latest, as announced in the Budget for 2015.

<sup>19</sup> See below for changes announced in the Budget for 2015.

directly by the employer as at present. This long term measure is meant to minimise the burden on small firms and at the same time ensure that any hidden biases against employing young females are removed.<sup>20</sup>

Paternal entitlements are very limited: fathers are entitled to only one day of leave when their wife/partner gives birth to a child.

Parental leave entitlement is also limited to four months. Both male and female workers have the individual right to be granted unpaid parental leave in case of birth, adoption, fostering or legal custody of a child to enable them to take care of that child for a period of four months until the child has attained the age of eight years. An employee must have at least 12 months continuous service with his/her employer to be eligible for Parental Leave, unless a shorter period is agreed upon. Parental leave can be availed of in established periods of one month each. In the event that the leave is not availed of or there is still an existing balance of parental leave, an employee remains entitled to such leave even if there is a change in the employer.<sup>21</sup>

As such, Malta's social policies go a long way to support the participation of mothers in the labour market. Males are entitled to family-friendly measures, such as parental leave, flexi-hours and reduced hours. However, unfortunately few males tend to avail themselves of such measures and the burden is more likely to fall on the female, unless she earns more than the husband. Recent measures for companies in terms of national insurance will benefit small firms because the financial pressures will be spread among all employers. On the one hand such incentives are aimed at encouraging more women towards the labour market, and in fact the rate has increased to 51% (and it is hoped to 60% by 2020), but on the other hand the pressure remains on females regarding the juggling of family and work lives, and some employers prefer to employ males because of maternity leave.

## **3.2 Policy measures to address social and labour market exclusion**

### **3.2.1 Unemployment benefits**

In Malta, unemployment benefit is paid under contributory and non-contributory schemes. Under the contributory scheme, unemployment benefit is paid to an unemployed person with 50 weeks of paid contributions and 20 weeks of paid or credited contributions in the two years preceding the year in which the claim is made. For non-contributory schemes, there is provision for Special Unemployment Benefit which is paid to the head of the household after a means test. There is also provision for Unemployment Assistance payable under means test if the insured person has exhausted the right to unemployment benefit.

To be entitled to unemployment benefit, the insured person must be registered as unemployed and be capable of and available for work. No benefit is paid for six months if unemployment is voluntary or the result of misconduct. The Unemployment Benefit and the Special Unemployment Benefit are paid for up to 156 days excluding Sundays. The Unemployment Benefit is paid at the rate of €12.05 per day to a married person and €7.89 per day to a single person. After the first six months, a person who is still not employed is not entitled any longer to Unemployment Benefit to Unemployment Assistance, which is subject to means test, at the rate of €10.87 per day for a single person and an additional €8.15 per day for each additional family member if not single. A person no longer qualifies for unemployment benefit unless they take up employment again for at least 13 weeks. The total number of benefit days cannot exceed the total number of contributions paid by the individual since his entry into the social security scheme.

Unemployment Assistance is paid at a rate that can vary in accordance with the means test, and in particular varies with household composition. Up to €100.48 a

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<sup>20</sup> See *Diskors tal-Budget 2015* p.40 <https://mfim.gov.mt/en/The-Budget/Pages/The-Budget-2015.aspx>

<sup>21</sup> <http://www.justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=11212>



week is paid as unemployment (social) assistance. If the weekly income of the household exceeds the weekly benefit, no benefit is paid.<sup>22</sup>

Unemployment benefit is to be considered as a temporary measure giving security of income to a household whilst employment is being sought. In this regard, it can be considered as an investment in a possible future labour market entrant. However, when the person, after the lapse of six months, is still without a job, then the entitlement becomes social assistance, which is often seen as a long-term means of financial aid. In this regard, attention needs to turn to abuses in this system. The benefit is an investment in a potential worker; however, the assistance is more from the perspective of poverty reduction. It is perhaps time to rethink the assistance perspective or complement this with training/reskilling demands in order to instil in the receiver the idea of this also being of a short-term nature which should finally result in independent revenue acquisition through work, and thus eliminate the mentality of dependence on social assistance in the long-term. Within this perspective certain schemes have been launched, such as the Community Work Scheme and the Youth Guarantee Scheme. Through these, people on benefit are encouraged to undertake community work to learn a skill on the job.

### 3.2.2 Minimum Income

Malta does not have an established minimum income but it has had for a long time a minimum wage<sup>23</sup> which is adjusted annually on the basis of a Cost of Living mechanism, COLA, agreed to by all the social partners.<sup>24</sup> There is a slight differential for persons aged 16, 17 and 18 and in respect of certain types of work. But these differences are minimal. There is an active debate in Malta on whether the minimum wage- as set is actually enough for persons to survive on. A 2012 study by Caritas Malta had already recommended as its very first recommendation "...*uplifting of the statutory minimum wage from €158.11 to €180 per week of 40 hours (+13.8%)*"<sup>25</sup>, a level which had still not been reached 3 years later (€166.26 being the current statutory minimum wage<sup>26</sup>).

Following the report's publication, Malta's competitiveness was often quoted as the reason why the minimum wage should not be increased outside the COLA mechanism.

The more recent announcement in the last budget regarding in-work benefit has led to several persons taking up the incentive to work. For example during 2014, 250 women took advantage of the scheme. In January and February 2015 alone, a further 200 women decided to take up a job whilst benefitting from the scheme (Times of Malta, 2015c). This implies that women can be incentivized to work, however, most time they need a gradual entry into the labour market and a sustaining financial support to do so. Other incentives which do not fall under the social security system but which are linked to social investment in this regard include the extension of Klabb3-16, the free child-care centres and the introduction of breakfast clubs (the latter catering to 700 children whose mothers work and therefore these are dropped off at school at an early hour and are provided with breakfast at the school).

<sup>22</sup> Provisions follow from the Social Security Act (CAP. 318) See:

<http://justiceservices.gov.mt/DownloadDocument.aspx?app=lom&itemid=8794>

<sup>23</sup> The term 'minimum income' as used in Malta is to be understood as the 'minimum wage'. There is no minimum income as such, but persons who are not able to sustain themselves can benefit from 'social assistance' schemes, subject to means testing.

<sup>24</sup> Full details for 2015 are presented in the Resource Pack available at <https://dier.gov.mt/en/About-DIER/Publications-and-Archives/Other%20Publications/Documents/resource%20pack%202015.pdf>

<sup>25</sup> See Caritas Malta. 2012. A Minimum Budget for a Decent Living: A research study by Caritas Malta focusing on three low-income household categories. Page 45, available at [http://www.caritasmalta.org/AMinimumBudgetforaDecentLiving\\_McKay\\_Sammut\\_Farrugia\\_Piscopo%28MinimumSize%29.pdf](http://www.caritasmalta.org/AMinimumBudgetforaDecentLiving_McKay_Sammut_Farrugia_Piscopo%28MinimumSize%29.pdf)

<sup>26</sup> The latest AROP threshold for Malta is in respect of 2013 at €7,256, in contrast to the story minimum wage for the same year at €8,434.)

The existence of the statutory minimum wage can be perceived as a measure of social investment, but the fact that research indicates that it does not meet the minimum required for a decent living suggests that this social investment needs to be raised to satisfy the requirements of the families dependent on it for survival.

### 3.2.3 Active labour market policies

Successive administrations in Malta have insisted that the main objective of their policies was to create new jobs to ensure that unemployment is kept to a minimum, and to create jobs that provide families with a high level of job satisfaction and adequate incomes. For this purpose, the continuous focus of public policy has been to attract new investment, and to train the work-force to meet new challenges. The educational system has been geared to adjust to economic development not through narrowly focused training, but through efforts that ensure that people have enough flexibility to move across jobs as opportunities arise. This flexibility has been instrumental during the recession, which did not affect Malta as negatively as it did other Member States. Fiscal consolidation in Malta did not result in any diminution of services, or reduction in benefits. Important actors in this co-ordinated effort for training and retraining were the ETC (Employment and Training Corporation), MCAST (the Malta College of Arts, Science and Technology) and the University of Malta, where innovative programmes were established to meet the demands of more sophisticated jobs in the thriving financial sector, in tourism, in IT and in the tertiary sector as a whole. Thus long-term unemployment increased only slightly from 42.7% in 2008 to 45.7% in 2012 and the number of people (aged 0 to 59) in jobless households changed only slightly from 8.6 to 9 during the same period.

In this respect therefore it can be safely stated that Malta's efforts to ensure a flexible workforce through training, and the provision of financial benefits to students through stipends, the encouragement given to mothers to return to work through financial support for childcare whilst training, and other initiatives discussed above, contribute significantly to the support of those experiencing social and labour market exclusion. The current emphasis is to wean as many persons from benefits as possible, and to entice them into training and thence into gainful employment in the workforce. The slogan "*nippremjaw il-bżulija*" (rewarding initiative) of the 2015 budget summarises this very succinctly and points to a strong belief in social investment, though this specific terminology is very seldom used in public discourse in Malta.

In 2014, unemployment benefits decreased to €2.3 million from almost €2.7 million during 2013. This was mainly as a result of the reduction in people looking for a job from 7,401 (2013) to 6,287 (2014). More jobs were effectively created and clamping down on abuses in the system was more assiduously implemented.

However, whilst training and lifelong learning have become more intense, latest data (for 2011) indicate that more money is spent on passive labour market policy in the form of support (0.321% of GDP) as opposed to active labour market policies, including both services and measures, amounting to 0.117% of GDP. Nonetheless, while there were 6880 jobseekers, there were 9667 beneficiaries of services and 6409 participants in measures. Therefore there were more recipients of ALMPs than those benefitting from passive policies. This trend as pointed out in Azzopardi (2013) has not changed. It is perhaps time to think more in terms of providing more funding for active labour market policies and see this more in terms of effective social investment, which would have longer term impact.

### 3.2.4 Social Services

Azzopardi (2011) discusses the origin of social services in Malta, dating back centuries (to the Knights of St John) but the system still in place today began in 1921. The Social Security Act (Chapter 318 of the Laws of Malta) of 1987 consolidated and amended legislation featuring Malta's range of social services. Over the decades social services have increased in range and extent, covering many areas from conception to death. Based on a system of social security contributions and taxation, the social security system complements free health services and the educational system, from

free child-care to day courses at the tertiary level. The various schemes in place are designed not as financial support systems alone but rather as an investment to encourage people to help themselves become better citizens and to contribute towards society and the economy. During 2014, social security benefits amounted to 10.7% of GDP.

A newly-married couple receives a marriage grant as a wedding gift. A mother is entitled to 18 weeks maternity leave, free childcare and maternity checks/medical visits, and both parents can avail themselves of parental leave, and in certain instances of reduced hours or telework. All these are aimed to attract/retain people, especially women in the labour force. Before the introduction of maternity leave (introduced as 13 weeks in 1981), free childcare and family friendly measures (at least in the public sector), women needing to care for their children would decide not to return to work and this led the female participation rate remaining static for a significant number of years. Since the introduction of free childcare and incentives for women to return to the labour market, this rate has continued to increase and stands at 47.8% (Dec 2014) up from 32.7% (2004) and 29% in the 1970's. Furthermore, parents receive children's allowance until the child is sixteen, whilst a milk grant is offered to parents on social assistance with a child under 40 weeks. There are also allowances paid for foster care and disability. These are geared towards providing financial support to encourage independence but also to ensure that those in need of support lessen their burden on their families. These forms of investment are seen in the light of poverty reduction.

There are also short-term benefits which aid in supporting individuals who may be facing problems during particular phases in their lives or who are in the lower income bracket. These include benefits such as injury, unemployment, energy and sickness.

Unemployment benefits continue to be paid to those seeking employment, provided they have worked for a number of months before becoming redundant. Furthermore, in-work benefit is a measure to supplement income when single parents (earning between €6,600 and €15,000) or those couples on low income (between €10,000 and €20,400) and with children under 23 years of age, need further support, encouraging them to maintain their present employment. These annual rates vary from €120 to €1,200 per year, depending on status and level of income.

Such benefits are different from those which are more related to actual financial assistance such as medical assistance, social assistance, or forms of supplementary assistance. The latter are more specific such as for single parents, those recovering from drug or alcohol abuse, and carers and can be broadly considered as a form of investment in social inclusion.

All the services delineated above should be seen in the light of social investment, in that whilst some benefits are directly linked with the encouragement to remain active in the labour market, others have to be seen as going towards social inclusion ideals and poverty reduction measures. This in spite of the fact that the term 'social investment' is not used in the discourse related to these benefits. In effect, the recent introduction of in-work benefits is a means of encouraging more employment both by single parents and also by both parents in the traditional family setting, where only the main breadwinner, generally the father, used to work while the mother stayed at home.

The biggest category of social services refers to the different types of pension (old-age, retirement, disability, survivor, invalidity, blind, carer). Some pensions result from the social security contributions while others are non-contributory. Recent reforms in the pension system have been discussed in detail in various reports. Pensions make up 71% of all payments under the social security system.



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