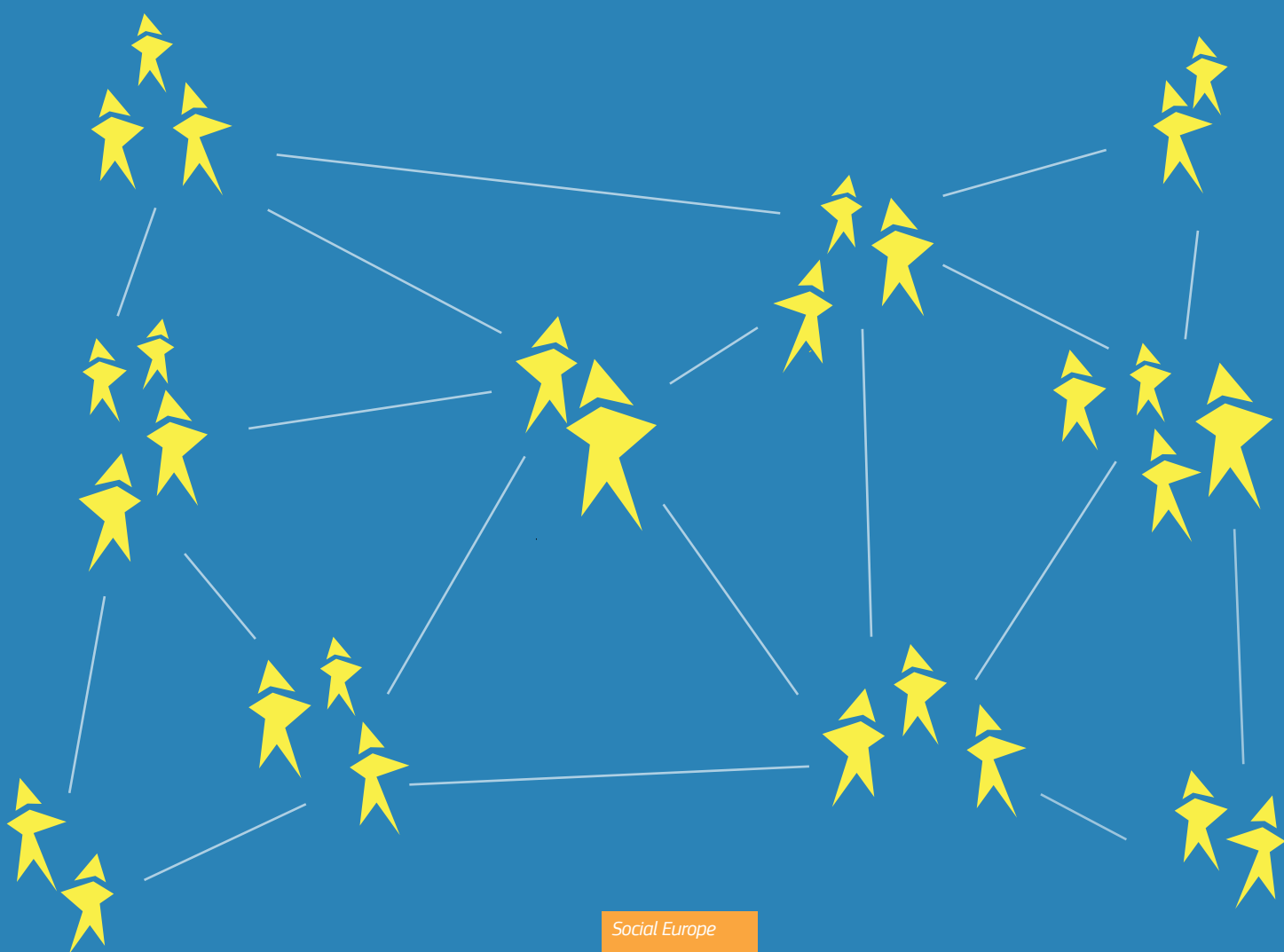




EUROPEAN SOCIAL POLICY NETWORK (ESPN)

# In-work poverty in Malta

Anna Borg



Social Europe

**EUROPEAN COMMISSION**

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**European Social Policy Network (ESPN)**

**ESPN Thematic Report on  
In-work poverty**

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## Summary/Key findings/Suggestions

The issue of in-work poverty<sup>1</sup> (IWP) in Malta needs to be analysed in the context of a labour-importing economy which is booming, and which since 2017 has been characterised by low unemployment rates (under 4%). Overall in 2017, Malta had the fifth-lowest risk of in-work poverty of all the EU28 countries and at 5.9% the risk of IWP in Malta was significantly lower than the EU average (9.6%). This trend can be noted as far back as 2012, when the in-work poverty rate in Malta was 5.2%, as against 8.9% at the EU level. In spite of the overall positive situation, if we look at trends then a gradual yearly increase can be noted from 2016; and between 2012 and 2017, there was an overall increase of 13.5% in persons who were at risk of in-work poverty in Malta.

Work intensity (or the lack of it) had a significant impact both in households with and without dependent children. However, the risk for low work-intensity households with dependent children (53%) was higher than the EU average (46.5%) in 2017. In both Malta (11.6%) and the EU (21.4%), the risk of in-work poverty in 2017 was highest in households with a single adult and dependent children. On the other hand, that year things were significantly better in Maltese households with very high work intensity (1.4%), or high work intensity (6.2%), compared to the EU at 5.4% (very high work intensity) and 11.2% (high work intensity).

Between 2012 and 2017, on average the risk of IWP was similar for those on permanent (4.2%) and temporary (4.7%) contracts; however, it was significantly higher for self-employed persons (12.9%) than for employees (4.7%). Furthermore, the risk was consistently greater for males (7.5%) than females (3.45%), as well as for those working part time rather than full time. The cohort aged 25-54 was most affected by IWP (6.1%). When assessed by country of birth, the risk was highest for non-EU28 nationals (13%).

A number of interesting active labour market schemes have been introduced in recent years to attract more people (especially women) into the labour market. The main schemes (Tapering of Benefits and the In-Work Benefit scheme) have the aim of making work pay and of avoiding in-work poverty. Other measures which reduce IWP, including tax rebates and various schemes to encourage the low-skilled and low-educated to continue with their education, have also been discussed.

While noting these positive measures, the issue of low work intensity among asylum seekers is highlighted, as this impacts on IWP. Furthermore, the issue of rising property and rental prices is discussed, since this may impact on household expenditure, especially for low earners. A number of mitigating solutions are analysed in this context and further recommendations are made.

So long as the economy remains upbeat, and the figures for IWP remain low compared to the EU, the issue of in-work poverty is unlikely to be given the attention it merits. This may prove to be short-sighted, as things will be more difficult to tackle if they get out of hand.

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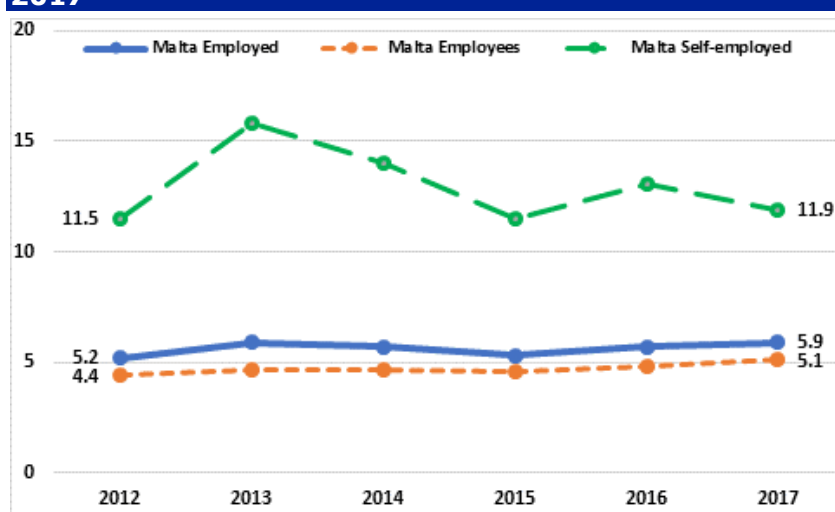
<sup>1</sup> For ease of reading, we will refer to the notion 'at risk of in-work poverty', and to the indicator that measures it, using the generic term of 'in-work poverty' (IWP).

## 1 Analysis of the country's population at risk of in-work poverty

A person is considered to be at risk of in-work poverty if they are in employment or self-employment for more than half of the year and live in a household that is at risk of poverty. A household is considered to be "at risk of poverty" if its equivalised disposable income is below 60% of the national equivalised disposable household median income. This report is based on EU-SILC survey data of 18-64-year-olds and covers the years 2012-2017.

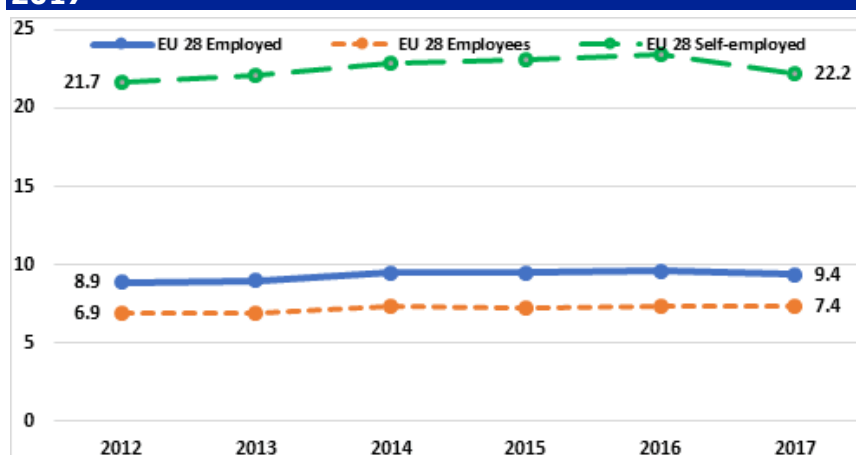
In 2017, the overall in-work at-risk-of-poverty rate of employed persons (employees and the self-employed) in Malta stood at 5.9%. This was significantly lower than the EU average of 9.6% (see Tables 1 and 2 below). However, between 2012 and 2017 there was an increase of 13.5% in the number of employed persons (employees + self-employed) who were at risk of in-work poverty.

**Table 1 - Evolution of the in-work at-risk-of-poverty rates in Malta, %, 2012-2017**



Source: Eurostat, *ilc\_iw01*.

**Table 2 - Evolution of the in-work at-risk-of-poverty rates in the EU, %, 2012-2017**



Source: Eurostat, *ilc\_iw01*.

Between 2012 and 2017, the risk of in-work poverty was similar, on average, for those on a temporary (4.7%) or a permanent contract (4.2%). However, over the same six-year period, the average risk was consistently and significantly higher for the self-

employed (12.9%) than employees (4.7%). The risks were also higher for those who work part time (13.3%) than for those who work full time (4.9%). On average, over the same period, the risk was also consistently higher for males (7.1%) than for females (3.1%). However, in all cases the risks on average were lower than those of the EU.

When assessing how age affects in-work poverty, in the six-year period 2012-2017, persons aged 25-54 were those most affected by in-work poverty (6.1%), compared to those aged 18-24 (3.7%) and the older cohort of 55-64 (3.9%). This may possibly be due to the younger cohorts still living at home with their parents, and the older cohorts having fewer home loans and less expense as their children become more independent. However, while across all age cohorts the rates were lower than the EU average, a substantial increase – from 3.3% to 5.2% – can be noted in the 55-64 cohort over that period in Malta.

The risk of in-work poverty most affected those households with low work intensity. At 38.1%, this was slightly higher than the EU average of 37.3% in 2017. Next most affected were households with medium work intensity, which, at 25.9%, were also above the EU average of 21.5%. However, things were significantly better in Maltese households with very high work intensity (1.4%), or high work intensity (6.2%), compared to the EU figures of 5.4% (very high work intensity) and 11.2% (high work intensity) in 2017.

Work intensity (or the lack of it) also had a significant impact in households with and without dependent children alike. Households without dependent children but with medium (12.1%) or low (22%) work intensity had, on average, a lower rate of IWP than the EU, with 13.6% and 28.2%, respectively. On the other hand, the risk for low work-intensity households with dependent children was higher (53%) than the EU average (46.5%) in 2017. In both Malta (11.6%) and the EU (21.4%), the risk of in-work poverty in 2017 was highest in households with single adults with dependent children, although the risk was significantly lower in Malta. This may possibly be due to the In-Work Benefit scheme and the Tapering of Benefit scheme, which were launched in the past few years to encourage more people, and especially mothers, to enter the formal labour market.

When comparing the risk of in-work poverty by country of birth, in 2017 the risk was highest for non-EU28 nationals working in Malta (13%), and lowest (7.6%) for EU28 nationals. A similar trend was noted at the EU level, although the rates for Malta were, in both cases, significantly lower than those in the EU. When looking at people at risk of poverty or social exclusion (AROPE) by their activity status, a positive significant drop could be noted between 2012 and 2017 across both employees (-37.1%) and the self-employed (-18.4%). A similar declining positive trend was noted at the EU level, although this was less significant.

The rates of employed persons (employees and self-employed) suffering from material and social deprivation (MSD) in Malta decreased significantly from 15.4% in 2014 to 4.3% in 2017. A similar declining trend was noted over the same period at the EU level (12.9% to 9.1%), although the changes were not as significant there. For example, a decrease of 71.8% could be noted among employees in Malta, as against a drop of 30.6% at the EU level. Similarly, the drop among self-employed persons suffering from MSD was 74% in Malta, against 25% at the EU level.

In contrast to the positive trends depicted above, a study carried out by Piscopo, McKay & Bonello (2016), which looked at the issue of adequacy for different types of families living on the minimum wage or on a pension, highlights significant disparities between the income derived, when compared to the 60% of national equivalised disposable household median. This suggests that a double income – or at least one and a half incomes – has become essential for families on the minimum wage (€172.51 weekly in 2018) to live decently. On a positive note, it must be noted that the number of people living on the minimum wage is relatively small: estimates suggest that in 2017 only around 5% of those in employment are paid the minimum wage or declare a minimum wage income (C. Caruana, personal communication, 11 November 2018). Social



transfers, in cash or in kind, which come in many forms (subsidised rent, free health care, free education, free childcare for working parents, etc.), play an additional role in alleviating in-work poverty for those on low income.

The biggest challenge in Malta is related to the dramatic cost in property, which also affects rents and makes it difficult for low earners to cope with any increase. Between 2013 and 2016, average rental prices increased by 47% (H. Grech, 2017), and a more recent article suggests that property prices in Malta are climbing faster than in Hong Kong (Martin, 2018c). As a result, reports of families living in garages, and of persons sharing a home, are becoming more frequent (H. Grech, 2018a; Diacono, 2018).

## 2 Analysis of the policies in place

### 2.1 Policies with a direct influence on IWP

At 5.9%, the risk of in-work poverty in Malta in 2017 was significantly lower than in the EU generally (9.6%). This trend can be noted as far back as 2012, when the in-work poverty rate in Malta was 5.2% as against 8.9% at the EU level. In recent years, Malta has operated in a context of nearly full employment, and unemployment has steadily declined – from 6.2% in 2012 to just 4.0% in 2017 (NSO, 2018).

Two active labour market schemes designed to make work pay and alleviate in-work poverty have been put in place. In 2014, the Tapering of Benefits was introduced, and a year later (2015) the In-Work Benefit scheme was launched by the government. Essentially, the aim of the two schemes is to encourage inactive persons and those reliant on social benefits to enter and remain in the formal labour market by making work pay, and to keep in-work poverty at bay.

Both schemes are managed directly by the Department of Social Security and are discussed in more detail below.

**The Tapering of Benefits scheme** provides a monetary top-up to the income derived from paid work. Beneficiaries who qualify for this scheme, which is ongoing, are eligible to receive 65% of the benefit rate they were previously receiving for the first year, 45% of the benefit rate for the second year, and 25% of the benefit rate for the third and final year. This income is paid directly into the beneficiaries' bank account, on top of the separate income derived from their paid work. In order to qualify, beneficiaries must previously have been receiving Social Assistance (SA), Unemployment Assistance (UA) or Social Assistance for Single Unmarried Parents (SUP) for at least two years (out of the previous three). This supplement is an incentive to encourage such beneficiaries, especially mothers, to make the switch into paid work and earn (at least) the national minimum wage, which in 2018 was €172.51 weekly. Employers who employ persons previously reliant on benefits are eligible for 25% of the benefit rate throughout the three years. This benefit is paid directly into their account by government as an incentive to employers.

Overall, the scheme in principle is positive, in that it helps make work pay and alleviates in-work poverty for low earners who manage to make the shift from benefits to work. However, no studies have been made to show the direct correlation or impact of this scheme in reducing in-work poverty.

Since the benefits are withdrawn after three years, there are no studies to indicate what happens to the beneficiaries after the third year. Hence, it is not clear if they still remain in the labour market, or whether they are tempted to switch back to living on benefits – especially if their wages are low. Various factors can affect this decision, and the withdrawal of the benefits may be one of them.

**The In-Work Benefit scheme** caters for low-earning couples and single parents with children under the age of 23 living at the same address. The idea behind this scheme is to encourage such persons to enter or remain active in the labour market, by enhancing their income. The benefits vary according to the earnings and the employment status within the household. For example, in 2018 married couples who were both in employment, whose combined annual earnings/net profit from gainful work were between €10,000 and €24,000 and neither of whose individual yearly earnings/net profit fell below €3,000 were entitled to a weekly top-up of between €7.69 (minimum) and €23.08 (maximum), depending on their earnings. Couples where only one spouse/partner worked, assuming the annual income from work ranged from €6,600 to €16,500, were entitled to a weekly top-up of between €1.44 (minimum) and €8.65 (maximum) in 2018. Single parents were eligible to receive an additional top-up ranging from 96 cents per week (minimum) to €24.04 (maximum) per week, if their annual earnings/net profit from gainful work was between €6,600 and €16,500 in 2018 (see calculator for full explanation of how the top-up is calculated: <https://dssservices.gov.mt/BenefitPaymentRates.aspx>).

According to the National Report Programme (NRP) 2017, the In-Work Benefit scheme reduced the overall at-risk-of-poverty rate by “around 0.09 percentage points” and “was particularly successful in reducing the at-risk-of-poverty amongst households with children, where it decreased by 0.31 percentage points and households that are economically active by 0.15 percentage points” (NRP, 2017: 15). A “deeper analysis of the dynamics of the change in the at-risk-of-poverty indicators show that those at the bottom end of the income distribution were the highest beneficiaries of the reform” (NRP, 2017: 16). The NRP (2017) also suggests that the Gini coefficient in the previous year was reduced thanks to the In-Work Benefit scheme.

Following the introduction of these two schemes, a significant drop – from 9.6% to 5.9% – could be noted in 2016 in the number of employed persons suffering from material and social deprivation. Likewise, since 2016, a higher and consistent yearly drop can also be noted in the number of persons at risk of poverty and social exclusion (AROPE). The reason for this drop cannot be solely linked to these two schemes, although their introduction may have contributed in some way.

Both schemes come at a cost and it is not clear whether they are sustainable in the long run; nor is it clear what impact it will have on in-work poverty if they are not retained.

### **Tax rebate**

Apart from these two schemes, the 2018 NRP also mentioned a tax rebate as a means of reducing in-work poverty. This rebate was announced during the 2018 budget speech, wherein the government proposed the introduction of a tax rebate ranging from €40 to €68 annually, with the aim of strengthening the incentive to work and addressing in-work poverty for those earning up to €60,000 per annum. The NRP (2018) indicates that simulations show that these rebates should result in an overall reduction in the at-risk-of-poverty rate of around 0.19 percentage points, and a decrease of 0.37 percentage points in the at-risk-of-poverty rate among households with children (NRP, 2018).

## **2.2 Policies which have an indirect influence on IWP**

Apart from the schemes and the tax rebate discussed above – both of which have a **direct impact** on alleviating in-work poverty – Jobsplus, which is Malta’s Public Employment Service agency, also offers various schemes to help low-skilled and low-educated workers continue investing in training. These schemes help people avoid poverty traps and improve their career prospects, thus **indirectly** alleviating in-work poverty. The schemes include:

- a) **The Average Wage Earner Scheme** is directed at employed and self-employed persons who are attending a Jobsplus course and whose weekly wage does not exceed €300 (basic). If they choose to train themselves, these workers can

benefit from a financial grant which is capped at €25 per week, provided they attend a minimum of four hours of training per week. The weekly grant is given to an individual upon successfully completing the whole course, and payment depends on the duration of the course.

- b) **The Work Exposure Scheme** is intended to provide jobseekers who have low skills and low education with initial hands-on training that helps them obtain the knowledge, skills and competences required to find and retain employment. The 12-week on-the-job training takes place at the premises of the employer with whom the trainee is placed. In 2018, participants were paid a training allowance of €4.31 per hour.
- c) **The Traineeship Scheme** is intended to provide jobseekers with pre-employment training that helps them obtain the knowledge, skills and competence required to find and retain employment. Traineeships are based on the vocational training system, which provides a combination of on-the-job and off-the-job training. The duration of a traineeship varies from 10 to 26 weeks, with an average of 40 hours/week. The theoretical tuition is delivered by Jobsplus, while the on-the-job training takes place at the premises of the employer with whom the trainee is placed.
- d) **The Youth Guarantee**, also known as the NEET Activation Scheme II, aims at encouraging the reintegration of young people who are detached from the education system and the labour market, through targeted intervention and empowerment. Through this scheme, participants are individually profiled and receive 40 hours of personalised assistance from assigned youth workers, and another 80 hours of motivational and behavioural training intervention. The training provided enables participants to develop skills that are necessary for them both as members of society and as prospective employees. Following this initial phase, young people are required either to further their training through continued education or else participate in some work exposure, leading to an offer of traineeship. In both instances, participants receive an allowance equivalent to the minimum wage, which in 2018 amounted to €172.51 per week (for those over 18); €165.73 (for those aged 17); and €162.89 (for those under 17).
- e) **The Work Placement Scheme** is intended to provide training to participants following a course offered by Jobsplus, which includes a practical component. The Work Placement Scheme gives Jobsplus trainees the opportunity to acquire both theoretical and practical training. The duration of the Work Placement Scheme is set at a maximum of 26 weeks, with an average of 30 hours/week (Jobsplus, 2018a).

The direct and indirect schemes described above, which are run by the Department of Social Security and Jobsplus respectively, can be considered as “good practice” that helps keep in-work poverty at bay. However, this does not mean that these schemes are reaching all categories of workers in Malta, as will be discussed in the next section.

### 3 Policy debates, proposals and reforms on in-work poverty and recommendations

The issue of in-work poverty does not seem to be a major concern for Malta, at least on the surface. The issue is rarely mentioned in the press or by the unions, and there is only one reference to it in the 2017 NRP, in relation to the In-Work Benefit scheme discussed earlier. In the 2018 NRP, the in-work poverty issue was mentioned in passing, in relation to the proposed tax rebates discussed above for those earning under €60,000 per annum. The reason for this low interest needs to be analysed in the context of a booming economy, low unemployment rates, and lower rates of in-work poverty in Malta (5.9%) than in the EU generally (9.6%). However, the fact that in spite of the booming economy

there was an overall increase of 13.5% in IWP between 2012 and 2017 indicates that the problem is increasing and the situation merits more attention to identify why this is so.

Goerne (2011) indicates that there are three main contributing factors that lead to in-work poverty: 1) work intensity or the lack of it within the household; 2) remuneration levels; and 3) household expenditure and costs incurred by its members. In the next section we use Goerne's framework (2011) to assess which categories of persons in Malta are likely to be affected most by these three contributory factors.

The rate of those in Malta who suffer IWP due to very low work intensity is, at 53%, higher than the EU average (46.5%). Undocumented migrants coming from sub-Saharan countries and asylum seekers seem to be among those categories most prone to low or very low work intensity. A study conducted with asylum seekers in Malta found that only 54.2% of asylum seekers were gainfully employed for at least six months of the year between January and December 2015. Furthermore, less than a quarter (23.6%) of the heads of household were employed full time during the same period (Caruana, 2016). The African Media Association claimed that some migrants had been living in Malta for more than 10 years "in poverty and in limbo" (Martin, 2016). Furthermore, the Trafficking in Persons Report (US Department of State, 2018) suggests that approximately 5,000 migrants who have arrived from African countries (possibly undocumented) and are residing in Malta are vulnerable to trafficking in the country's informal labour market. This exposes them to even greater chances of in-work poverty, due to the sporadic work intensity, abuse and the blatant discrimination levelled against them. A staggering 88% of sub-Saharan Africans reported that their wages were lower than those paid to Maltese nationals (DIER, 2014).

Overall, more needs to be done to ensure that the abuse directed towards migrant workers is not tolerated and does not go unpunished. This abusive approach often leads to precarious work and poverty. Awareness around the issue of precarious work has dwindled in recent years. Prior to 2013, discourse around this issue was more prevalent and, for example, the General Workers' Union (Malta's biggest union) was much more vociferous on this. Unfortunately, migrant workers who suffer most discrimination at work are often not unionised and can rarely afford the luxury of protesting. If abusive employers are allowed to treat migrant workers differently, for example by giving them a lower wage than they would give local workers, this is likely to have negative repercussions in the long run and may leave the migrant workers more susceptible to in-work poverty. This will not only be harmful to the migrant workers themselves, but is also likely to impact on the local workers, because their wages may be suppressed, too, as a result. Lower-paid workers and their children often remain trapped in poverty. This harms the economy in the long run, because it is not maximising its resources, and people who fall into poverty will need more support than others.

The NRP does not go into this issue at all. The precarious situation of undocumented migrants and asylum seekers calls for careful attention, in order to ensure that they do not slip into the in-work poverty trap. This is especially important to mitigate future social problems and ghettos. For this reason, there needs to be a holistic plan in place to ensure that these people are well integrated into the labour market and can benefit from training and education to improve their living conditions, rather than allowing them to fall by the wayside. The Migrant Integration Policy and Action Plan was only launched in December 2017 (Schembri, 2017). This is rather late in the day, considering that Malta has been receiving migrants for many years now. However, on a more positive note, in November 2018 it was announced that a new Specific Residence Authorisation (SRA) policy will allow holders of Temporary Humanitarian Protection status and other eligible persons to shift from a temporary (and therefore insecure) situation to a more permanent one. The SRA policy has the aim of contributing to combating migrant poverty (Aditus Foundation, 2018).

It is hoped that this new SRA policy will bring more permanence and stability to migrants, and this in turn will have a positive effect on their job and income prospects. While not enough time has passed since its implementation, such policies are rarely

monitored; and so it is difficult to assess the level of success (or otherwise) of this policy. It is not enough to implement policies; it is also fundamental that these are assessed for their efficacy and adjusted accordingly.

Apart from the issue of low work intensity, Goerne (2011) also mentions the remuneration levels of workers. Between 2010 and 2017, the minimum wage in Malta saw a decrease of 1.4 percentage points in real terms (Eurofound, 2017). It was only in 2017 that measures were taken to remedy the situation, after it had remained the same for 27 years (*Times of Malta*, 2017). From 2017, government and the social partners agreed that on completion of the first year of employment with the same employer, employees on the minimum wage will receive an increase of €3 per week in the second year of employment; on completion of the second year, they will be entitled to an additional €3 per week. This increase is over and above the yearly cost of living adjustments. Employees earning more than the basic minimum wage will also be entitled to part of the increases during their second and third years of employment (Department of Industrial and Employment Relations, 2018). While this is a positive step, the upward adjustment is half of what social campaigners led by Caritas had been asking for (*Times of Malta*, 2017).

Finally, Goerne (2011) mentions household expenditure and the costs incurred by household dependents as a contributing factor in in-work poverty. One of the most pressing issues experienced in recent years in Malta has been the rising cost of property and rentals. While noting that 78% of families in Malta are home owners (Sansone, 2018), the Federation of Estate Agents claims that the cost of property in Malta – both for rental and for sale – has increased to beyond the means of the average Maltese (D. Grech, 2018). For example, in 2018, when the minimum wage was €747.54 monthly, there was a shortage of affordable rental properties within the €400-€700 monthly rent range (Sansone, 2018).

This makes it rather difficult for low and even middle-income earners to cope with this expense, and thus increases the chances of in-work poverty. The Federation of Estate Agents claimed that some foreign workers have to live in overcrowded apartments in groups of eight or more in order to survive (Martin, 2018b), while others are being pushed into homelessness. Currently, around 30% of the Maltese labour force is made up of foreign workers (Xuereb, 2018), the vast majority of them (around 70%) from EU Member States and European Free Trade Association countries. These seem to be well integrated into the labour market and work across a variety of sectors. The remaining 30% are third-country nationals (TCNs), with the largest cohorts coming from the Philippines, Serbia, Montenegro and India. They tend to occupy more elementary occupations (Jobsplus, 2018b) and may be more prone to falling into the in-work poverty trap with the rising cost of rent.

The stock of social housing in the last years has not been replenished and, for example, statistics from the Parliamentary Secretariat for Social Accommodation show that in 2017, only 210 of 3,290 people were taken off the waiting list (D. Grech, 2018). While conceding that those renting are the most vulnerable, Leonid McKay, the head of the Housing Authority, has argued that there is no direct correlation between homelessness and the housing market, because poverty is decreasing, rather than increasing in Malta (D. Grech, 2018). Instead, he claims that homelessness is the result of broken traditional family ties. Of course, this is debatable, because while overall poverty may be decreasing for the majority, a minority of persons who are the most vulnerable are facing more problems in a neo-liberal environment which is demand driven. By contrast, the director of Caritas has insisted that there is an urgent need for social housing, because this issue has not been adequately addressed (Newsbook, 2018).

Over the years, various initiatives have sought to address the housing issue. For example, in 2014 the 'Sir Sid Darek' (Own Your Own Home) scheme was launched. This entitled the residents of housing units owned by the housing authority and the Government Property Department to a 50% subsidy on the price set by the authority, if they wanted to buy their homes. The sale was tied to the condition that the property

would be exclusively occupied by the purchasers, as their ordinary residence, for at least 10 years after the sale. The following year, the housing authority reported that it had sold 122 properties through the scheme in 2015 (Callus, 2016).

Then, in 2017, in order to encourage more people to become home owners, government launched the Home Assist Loans – Housing Authority Repayment Assistance Scheme. The scheme is aimed at Maltese citizens on a low income, in order to help them secure a bank loan to purchase their property (with the value not to exceed €140,000). In order to qualify, the income of the beneficiaries must not exceed a given threshold: €20,173.16 in the case of couples; €19,173.16 in the case of single parents with children living in the household; €18,173.16 in the case of single persons living alone; and €20,173.16 in the case of disabled persons or those with a disabled member in the household. Clients buying their first residential property can also benefit from the Stamp Duty Exemption. The scheme excludes de facto separated clients.

Furthermore, in October 2018, government launched a White Paper on the rental market (TVM News, 2018). The main aim of the paper is to ensure more stability, transparency and security in the rental market. Among other things, the proposal calls for the obligatory registration of rental contracts, and it encourages longer leases with agreed annual increments; to achieve this it uses fiscal incentives for landlords. However, the White Paper does not elaborate on the fiscal incentives and what the ideal minimum duration of rental contracts should be (Sansone, 2018). This White Paper also fails to tackle the cost and affordability issue, which is the most pressing.

Apart from these incentives to tackle the rising cost of property and rentals, which has a direct effect on in-work poverty, there are other initiatives planned which **could indirectly** alleviate in-work poverty by bringing more money into the household. These include:

#### **Tax relief for single part-time workers**

In order to address an existing tax anomaly, single part-time workers whose income is between €9,100 a year and the minimum wage, will no longer be subject to tax.

#### **Increase in children's allowance**

Families with an annual gross income lower than €20,000 will benefit from a maximum €96 increase in the children's allowance for every child under 16 years of age (Deloitte, 2018).

#### **Property and rent schemes**

The rent subsidy for single people will be increased from €1,600 to €3,000 per year, and couples with children will be eligible for a rent subsidy of up to €5,000. Only tenants who pay a maximum of 15% in income tax will be eligible for this subsidy.

#### **Recommendations**

In order to address a number of issues identified in this report in relation to in-work poverty, the following recommendations are made:

1. A study should be commissioned to explore how the employment rights of workers can be bolstered, in order to ensure that they do not fall victim to in-work poverty and exploitation. This is especially challenging in view of the increasing number of foreign workers in Malta, especially TCNs and asylum seekers.
2. The disparity of wages between Maltese and foreign workers, including migrants, needs to be tackled seriously by government, unions and employers' organisations.
3. The low work intensity of asylum seekers needs to be investigated to identify the stumbling blocks and to propose measures to help them increase their work intensity in order prevent them from falling into the poverty trap.

4. The issue of increasing property and rental prices needs to be given more importance, in order to assess how the excessive rent hikes are impacting on specific categories of people who are more prone to IWP.
5. More data is needed to assess the future housing needs due to the increased working population on the island. In the meantime, government needs to increase the stock of social housing and ensure that persons who no longer qualify for social housing on account of upward social mobility are controlled, so that social housing is really used for those most in need.

## **4 Assessing data and indicators**

Malta largely relies on EU-SILC data to capture and monitor the situation in relation to IWP. These are good indicators; however, it needs to be assessed whether these indicators capture the realities of those most at risk of in-work poverty who may not be working in the formal labour market, such as migrant workers.

It would also be interesting to delve deeper into some of these statistics through ad hoc survey modules. For example:

1. What is the reason for the low or very low work intensity of some households? What social problems afflict them and how could these be tackled?
2. What is the impact of in-work poverty on specific categories of people, such as migrants or third-country nationals?
3. What factors impact on the in-work poverty differences between women and men?

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