



Malta

# Assessment of the 2008-2010 National Reform Programmes for Growth and Jobs from a social inclusion perspective

– The extent of synergies between growth and jobs policies and social inclusion policies

## A Study of National Policies

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*Disclaimer: This report does not necessarily reflect the views of either the European Commission or the Member States.*

October 2008



On behalf of the  
**European Commission**  
DG Employment, Social Affairs and Equal Opportunities





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## **Executive Summary**

The Malta NRP for 2008-2010, like its predecessor in 2005, is written to meet the renewed Lisbon Strategy, which aims 'to make Europe the most dynamic and competitive knowledge -based economy in the world'. It is conceived as an economic tool, and the link to social inclusion, though present indirectly, is not specifically addressed.

The NRP is an economic report and is based on the Growth and Jobs guidelines, the Spring European Council Conclusions, the Country Specific Recommendations, Points to Watch, and the guidance provided by the Commission during the Commission visits.

The report recalls the successes that Malta is having in developing the economy and, inconsequence implies that this makes it easier for social inclusivist policies to be implemented.

As such, the feeding in and feeding out dynamic in respect of social inclusion and social protection is heavily present, but very rarely explicitly so.

The main criticism to be levied against this document is that once more, the drafters of this document did not focus specifically on social inclusion, and only very casually linked with the NSRSPI drafters.

The other main criticism is that in many instances the deliverables are not quantified, and at times consist of studies, the parameters of which are not clearly spelled out. But otherwise the areas of concern identified by the Commission are adequately addressed. If the planners and the administrators deliver on this report, even though not consciously, they would however have enhanced Malta's continuing concern to develop systems that care for, and provide sustenance for, the marginal groups in Maltese society.

## 1. Overall assessment of implementation of the 2005-2008 NRP during the past year from a social inclusion perspective

The Closure section of the Malta NRP for 2008-2010 summarises the status of the measures of the 2005-2008 report under a number of headings, namely

- Sustainability of public finances;
- Competitiveness;
- Employment;
- Education and training; and
- Environment.

Under a number of the first four headings, it is possible to trace elements that have strengthened the social dimension although social exclusion is only specifically referred to only once under measure 4.6. Table 1 below gives details of the individual measures with a social inclusion dimension and summarises what impact has been effectively felt to date.

**Table 1. NRP 2005-2007 Closure: Measures with Social Inclusion Impact and their Outcome**

	<b>Objective</b>	<b>Outcome</b>
Measure 1.1	Review the existing taxation framework in order for taxation policy to encourage work and productivity (within the framework of sustainable public finances)	Process started and being implemented in stages. Positive social inclusion effect.
Measure 1.8	Asses the role of means-testing instruments that determines eligibility for means-tested benefits	Working group established. Process is on-going. No direct impact to date.
Measure 1.9	Commencement of incremental measures in pension's reform	A number of steps taken. Positive social inclusion effect where innovative measures taken.
Measure 1.11	Help ensure a flexible and dynamic labour market	A number of training schemes.
Measure 1.12	Promote public service change to encourage the: <ul style="list-style-type: none"> <li>▪ Improvement of quality of public service delivery;</li> <li>▪ Development of greater focus on end results</li> </ul>	Positive outcome in view of extension of family friendly measures to public service employees.
Measure 3.1	Revise the Employment and Training corporation (ETC) youth strategy to address the needs of the youth group and to generate personalised employment paths for unemployed youths	Positive outcome: during 2008 the ETC placed 2051 youths in full employment and 433 in part-time employment.
Measure 3.2	Train and engage mothers absent from the labour market	Positive outcome: some mothers have been trained to engage in part-time work whilst looking after their young children.
Measure 3.3	Review tax and pensions system to encourage female participation in the workforce	Positive outcome.

	<b>Objective</b>	<b>Outcome</b>
Measure 3.4	Promote family-friendly measures	Positive outcome affecting maternity leave, parental leave, responsibility leave, adoption leave etc.
Measure 3.5	Develop a programme obliging the unemployed beneficiary of subsidies to attend training and community services	Positive outcome: ETC has trained 20,46 persons from October 2004 – January 2008.
Measure 3.6	Review policy in the field of employment of third countries nationals	Application for funding pending. No outcome yet.
Measure 3.7	Set up a Central Visa Unit to better manage visa and work arrangements for third-country persons required to address local labour shortage	Consultation undertaken: no specific outcome.
Measure 3.8	Launch the Foster Entrepreneurial Skills scheme	No significant progress: positive outcome yet.
Measure 4.1	Implement the reforms of the compulsory education system in the strategy document entitled "For all Children to Succeed"	Early implementation stage. Only visible impacts are the creation of colleges to bring schools together and the refurbishment of schools.
Measure 4.3	Initiate training in basic computer skills for those registering for employment and establish Community Technology Learning Centres	Positive outcome: attendees have acquired new ICT skills.
Measure 4.6	Initiate teacher training for new competences linked to parent capacity building, prevention of social exclusion, the nurturing	Training sessions held: indirect positive outcome since teachers trained will have new competences.

As can be seen from the above table, most of the measures with a social inclusion dimension have been by and large implemented, but the deliverables have not been uniform. With respect to some of them, the process led to the creation of work-groups which are still meeting and reports are expected. In others, the outcomes have been positive, either directly or indirectly to address social exclusion issues.

What is very worrisome however is the fact that in respect of no measure, let alone in respect of all these measures, was any impact assessment made. This is a serious omission and needs to be addressed since the likelihood that it is repeated in respect of the new NRP is very high.

## **2. Assessment of the 2008-2010 NRPs from the perspective of social inclusion**

### **2.1 Overall assessment**

The tone of the Malta NRP can be summarised in the following paragraph taken from the Political Summary of the same document:

*In its Annual Progress Report, the Commission has made a series of recommendations, which need to be addressed over the next three year cycle. Within this context, the Maltese Government will address the Country Specific Recommendations and Points to Watch which have been proposed by the Commission with a view to achieve the Lisbon targets. These recommendations include: the strengthening of the competition authority and opening up professional services, the reduction and redirection of state aid, step up efforts to attract more people in the labour market in particular women and older workers, continue implementing and reinforcing measures on health care reform; improve the regulatory environment, introduce effective one-stop-shops for business start-ups; diversifying energy sources and raise educational attainment and reduce early school leaving.*

From this paragraph it is clear that social inclusion is NOT a direct and specific concern of the Malta NRP 2008-2010. The NRP continues to be understood by the Maltese government as an economic report and is based exclusively on the Growth and Jobs guidelines, the Spring European Council Conclusions, the Country Specific Recommendations, Points to Watch, and the guidance provided by the Commission during the Commission's visits. It is only by gleaning through the various pages and the specific measures that inputs and outputs relative to social inclusion can be detected.

### **2.2 The potential impact of the slowdown of the economy, higher oil and commodity prices, and ongoing turbulence on financial markets on people at risk of poverty and social exclusion.**

There is no mention at all in the Malta NRP to this potential impact of the slowdown of the economy.

Despite this lack of mention in the document, the Maltese are currently trying to come to grips with the higher water and electricity rates, the increased cost of petrol and diesel imposed by the government, and backdated to October 1 in the case of water and electricity, despite the falling prices of oil on the international market. The trade unions and the other members of civil society within the MCESD (the Malta Council for Economic and Social Development) are united in their demands for the new tariffs to be revised in view of their very negative effect on the economy at a time when the economy needs to be stimulated rather than burdened with rates that are not transparent in the way that they have been computed, and most especially, because they are going to be applied retroactively, thus creating unforeseen burdens on both industry and private households.

One important criticism against the government is that no social impact assessment has been conducted, and that the new tariffs are bound to generate new forms of social exclusion.

### **2.3 Strengthening of links between the National Reform Programmes and the Social Protection and Social Inclusion Process.**

Indirectly the NRP provides for links between social protection through some of the measures envisaged in the programme. These will be spelled out in the following sections of this report.

## **3. 'Feeding out'**

### **3.1 Employment and 'feeding out'**

The search to increase employment and enhance employability is spurred by the need to implement flexicurity, and is based on the following four pillars:

- to anticipate and provide for an adequate supply of skills in emerging high-skill sectors of the economy, and simultaneously
- to ensure that those at the lower end of the skills spectrum are sufficiently skilled and motivated to take up work in the formal economy and to progress within it,
- to improve work-life balance, and
- to improve awareness and

As such, there is no mention of balancing job security with specific measures to ensure social inclusion. The underlying assumption appears to be that access to work and employability are the best guarantees to avoid poverty. But these ideas are only latent in the Malta NRP.

On the other hand, it must be stated that measures to reduce income tax bands, to improve health and safety at work and to promote literacy skills are concrete measures that definitely result in the creation of jobs which will steer people away from poverty and exclusion.

To date, no specific study has been conducted to explore the existence or otherwise of in-work poverty. The extensive engagement in part-time work, often undeclared, may be a phenomenon that is cushioning many Maltese against in-work poverty because it bridges the under supply of money from what is earned through formal employment and what is required to live above the poverty line.

### 3.2 Family

There are numerous references to the family in the 2008-2010 Malta NRP. Numerically these references are found to be more frequent in the section on the Closure of the previous NRP (2005-2008), but the thrust of the subsequent sections is to push forward the initiatives already taken and to develop them further, most especially in the following areas: the reconciliation of work and family life, the promotion of active ageing and the concomitant provision of facilitating work even beyond retiring age<sup>1</sup>

### 3.3 SMEs

In respect of SMEs and employment, the Maltese Government has strongly supporting the Commission's Small Business Act, which is built on a set of principles and measures which lead into concrete action for a long term, predictable, transparent and simple regulatory framework for small and medium-sized enterprises.

The NRP states that 'Maltese Government intends to carry out an exercise, involving major government stakeholders as well as constituted bodies to identify those measures which are best suited to provide its SMEs with the enhanced environment which is critical for their survival and growth. The exercise will also discuss the applicability of certain initiatives which are being proposed by the Commission, such as the Common Commencement Date, the only once principle and the use of the 'SME toolkit' before enacting legislation concerning SMEs. The exercise will also examine how the overall policy approach towards SMEs can be improved and rooted in the 'Think Small First' principle'.

These are very good intentions, but the deliverables are not yet specific. It is hoped that these will not end up being more rapportage, but concrete actions and provisions that provide for more work through SME's involvement in the economy.

### 3.4 Economic growth, financial sustainability and 'feeding out'

In the Malta NRP there is no specific reference to the way measures to promote economic growth and financial sustainability will impact on promoting greater social protection, social cohesion and social inclusion.

### 3.5 Fiscal consolidation

Similarly the NRP does not *specifically* take into consideration the impact of 'fiscal consolidation' on the modernisation of social protection systems and on their ability to ensure greater social cohesion. The only specific reference to 'at risk' members of society is with reference to retirement pensions. The Malta NRP states:

*Securing a sustainable fiscal position in the long-term also remains a priority in Government's policy agenda. The stated aim of the pension reform was to enhance the adequacy aspects whilst consolidating fiscal sustainability. Developments in retirement pensions will be reviewed, in line with the legislative commitments resulting from the*

<sup>1</sup> In this respect Government needs to be more credible in the way it deals with its own employees. Despite the continuously extending waiting lists in the General Hospital, the government, for no obvious reason, has not extended beyond age 61 the appointments of experienced and healthy consultants who were ready to continue to provide services in both medicine and surgery specialities.

*pensions reform (which provides for a review every five years, with the first review scheduled for 2010), with a view to achieving further adequacy, sustainability and social solidarity.<sup>2</sup>*

### **3.6 Utility tariffs**

As has already been outlined above, one of the issues which is being very hotly debated at present is the new tariff structure for energy utilities in Malta, enforced through two government owned monopolies, namely Enemalta and the Water Services Corporation. The new tariffs have been backdated to October 1, and the Maltese trade-unions, together with the other members of civil society members of the MCESD (The Malta Council for Economic and Social Development) are currently demanding for 'a revision or compensation'. Discussions were deadlocked until this week<sup>3</sup>, but now the Government has acceded to a request for more talks and these have commenced. The outcome is still uncertain, with the Government insisting that the price of crude oil has pushed the prices upwards, whilst the Opposition and the trade unions claim that the government calculations are wrong, that the price of oil has significantly gone down (from the \$150 per barrel level, on which the government computations were based) and that the new backdated tariffs are going to cause havoc on the Maltese economy at a time when it needs pump-priming and not depletion of funds through excessive fiscal measures. It needs to be said however that the government claims that around 30,000 households would be partially protected from the new rates in view of their economic frailty. No known social impact assessment of the effects of the tariff hikes has been conducted, despite the widespread demand for it from various sectors of civil society.

### **3.7 Internet access**

Access to Internet services among Maltese households was given a significant boom at the end of 2008 when a special initiative was launched and broadband access was offered at a fraction of the going rates to households which were not connected. Internet subscriptions had already increased from 83 per 1,000 in 2000 to 245 per 1,000 in 2007. The increase over the last year has been primarily dependent on the initiative described above. In effect, as at the end of March 2008, the total number of Internet subscriptions (i.e. both broadband and narrowband), amounted to 95,902. This figure is split between 91,989 broadband connections and 3,913 active narrowband (dial-up) connections. Since September 2007, broadband subscriptions have increased by 15,903 which is equivalent to a 20.9% growth. Conversely, narrowband connections decreased considerably from 23,861 in September 2007 to 3,912 in March 2008. The sharp drop is due to decreasing narrowband connections, but more importantly a change in the way narrowband statistics are being collected and defined. In turn, as at March 2008 the broadband penetration rate per population stood at 22.6%, up from 18.7% in September 2007. Total Internet penetration per population stood at 23.5% in March 2008. Subscribers to the Internet reached 96,709 by the end of Q2 2008, an increase of 2.1% over the previous quarter. This change reflects an increase of 2,590 broadband connections, which outweighed a decline of 613 dial-up connections.

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<sup>2</sup> Malta NRP 2008 – 2010, page 57.

<sup>3</sup> Week starting 18 November 2008

### 3.8 Banking

In Malta there are no provisions to give access to bank accounts and banking services, access to credits, etc. to promote financial inclusion by giving (sufficient) consideration to ensuring that people at risk of poverty and social exclusion. No initiatives exist to address over-indebtedness amongst people experiencing poverty and social exclusion.

### 3.9 Housing

Through the Housing Authority, there exist measures to improve access to housing which give particular attention to ensuring the access of those experiencing poverty and social exclusion. The problem here is that housing allocated on social grounds remains allocated to households who eventually move out of these categories, thus requiring a continuous demand for new housing instead of re-utilising the same stock as this is freed when its users no longer require social support.

## 4. 'Feeding in'

The Malta government strongly puts forward the idea that the creation of jobs is the basis for reduction of poverty in Malta, and as such its policies do not focus primarily on the social protection and social inclusion process specifically, except in those cases where attention to the needs of special groups is required. These include women, older persons seeking employment, persons with limited skills and persons with special needs. The needs these groups have are definitely addressed through various programmes and measures, but there is no specific dovetailing between Malta's 2008-2010 NSRSPSI and NRP. But, as it has been indicated above, 'social inclusion' was not one of the *main* parameters the compilers of the NRP used as part of their brief and contact with the compilers of the Malta NSRSPSI are merely casual and not systemic. Despite this fundamental problem with Malta's NRP, inclusion programmes are specifically mentioned and the following detailed path is given.

### 4.1 'Training Aid Framework' and 'Employability Programme'

ETC (Employment and Training Corporation) will be operating a *Training Aid Framework*, from late 2008 until the end of 2013, partly financed by the European Social Fund, to provide training grants to the self-employed and to private sector employers who provide their staff with on- and off-the-job training. The amount reimbursed will depend on the size of the undertaking and the type of training provided.

While the Training Aid Framework is intended to maintain and enhance the skill levels of those already in work, the *Employability Programme* will provide for a wide range of training initiatives aimed primarily (though not exclusively) at jobseekers and the inactive. The initiatives under this programme will consist of training and re-training in a variety of key competences, trade and non-trade skills; dual-system traineeships and a strengthened skills assessment system.

Another major initiative due to be launched in late 2008 is the *Employment Aid Programme*, also co-funded by the European Social Fund. This programme is intended to further promote the integration of persons from disadvantaged groups into work. A subsidy of half the wage cost and

half the employer's social security contribution will be made available to employers who recruit persons from a defined list of groups and who retain them in employment for at least twelve months.

Among other groups, the Employment Aid Programme will cater for Malta's employment priorities, including persons aged 50 and over, inactive women, low skilled young people, and persons with disability. It is expected to encourage the recruitment of the equivalent of one per cent of the labour supply over the five years of the project period.

In addition to the wage subsidy available in respect of low-skilled young people, ETC will also be implementing a *Youth Employment Programme*, which is a streamlined and improved set of services for young people as reflected in the Youth Strategy 2008/2009. It is aimed particularly at early school leavers (who do not pursue post-secondary education) but also at those in precarious work who would benefit from further training and support.

The project will help young people to clarify their career choices and the pathways towards them; to improve their skills in their chosen area as well as in job search; to increase their knowledge of their rights and responsibilities as jobseekers and prospective employees; and to provide a holistic programme of information and skills which would help these young persons to further develop their skills and competencies.

#### **4.2 'Gender Equality Programme'**

A *Gender Equality Programme* is also being developed by ETC, and is to be launched in 2009. This programme aims to raise awareness about various aspects of gender equality relating to work and family life. The main themes will include flexibility at work, overcoming gender stereotypes and the sharing of family responsibilities. The main target audiences of this programme are inactive women, lone parents, registered unemployed women, women and men with family responsibilities and employers. ETC will also be launching its fourth biennial Gender Equality Action Plan 2009-2010.

In order to further promote the integration of persons from disadvantaged groups while respecting the principle of subsidiarity and the expertise of numerous professionally run NGO's in Malta, ETC will be operating its *Social Inclusion Partnership Programme* from 2009.

This will be a strengthened and rationalised version of the various cooperation agreements that ETC has managed with a number of NGOs in recent years. Through the Programme, expert NGO's will provide prevocational and on-the-job training to clients in their field of expertise, will help them find work and will monitor and support them during the first months of their work placement. Persons to be assisted under this programme include those with intellectual and physical disabilities, with mental health difficulties, ex-convicts and ex-substance abusers.<sup>4</sup>

As such it can be stated that the agenda of combining employment activation, adequate minimum income and access to supporting services has been taken into account.

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<sup>4</sup> Malta NRP 2008-2010 page 72

### 4.3 Services Directive

The above summary also shows that education, training and lifelong learning (including measures to reduce the number of young people who cannot read properly and the number of early school leavers) are reflected in the policies proposed. The strong effort to reduce early school leaving is also consonant with the effort to ensure more inclusion. Malta's NRP dedicates no less than eight pages to the country's educational policies, the need to promote literacy skills in young people, and the need to extend the educational baggage of all its citizens, whether they are still students or are already in employment and therefore require life-long learning facilities.<sup>5</sup>

A number of measures are provided for the implementation of the Services Directive by 2009. These include training courses, traineeships, work exposure schemes, employment advice, guidance, etc, with a view to decrease unemployment, addressing Groups at Risk (covering The Employment Aid Programme Youth Employment Programme and the Social Inclusion Partnership Programme which have already been referred to above) and Gender Equality.<sup>6</sup> Once again however the targets for these measures are not quantified in the Malta NRP.

## 5. Governance

The references to governance in the Malta 2008-2010 NRP focus on the need to ensure that the targets relative to the environment are reached, to fiscal governance, to ensuring that the public service improves on its delivery, and, almost incidentally to a University programme that, when launched would address global governance issues. As has already been indicated above, there has been no attempt at directly co-ordinating the preparation of the 2008-2010 NRP and NSRSPSI. The economic thrust of the NRP obviously impinges on the objectives of the NSRSPSI, but the two documents were produced parallel to each other, with different teams working on each separately. This is an area of serious concern, which has repeated itself despite the fact that the attention to this lack of co-ordination and dovetailing was drawn in previous reports.

### 5.1 Monitoring and assessment

Within the NRP, monitoring is frequently mentioned, but once again the main interest is to monitor developments from a narrow economic perspective. In the section on the *Employment Aid Programme*, which is intended to further promote the integration of persons from disadvantaged groups into work, monitoring can be said to take a different thrust because it is stated that 'regular monitoring will take place to ensure that this subsidized employment is a positive experience for both parties'. It is specified that among other groups, the Employment Aid Programme 'will cater for Malta's employment priorities including persons aged 50 and over, inactive women, low skilled young people, and persons with disability.' But the report does not include any specific way how this monitoring is to be conducted; neither does it set specific targets or identify clear indicators that will be used to monitor its performance.<sup>7</sup>

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<sup>5</sup> Ibid. pages 71 – 77.

<sup>6</sup> Ibid. pages 86 – 86.

<sup>7</sup> Malta NRP 2008-2010 Page 79.

The same approach is adopted in respect of how the ETC will be operating its *Social Inclusion Partnership Programme* from 2009. Although monitoring is again mentioned, no specific monitoring tools are mentioned.<sup>8</sup>

## **5.2 Involvement of stakeholders**

Involvement of the relevant stakeholders in the design, implementation and monitoring of the NRP is completely absent. The only involvement was restricted at MCS D, level, at which no presence of persons at risk or in marginal groups are present.

## **5.3 Coordination**

There is no in-built mechanism for the coordination and joining up of economic, employment and social policies provided for within the NRP.

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<sup>8</sup> Ibid. page 80.