



Malta

## Trends, Recent Developments, “Feeding in” and “Feeding out”

A Study of National Policies

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or the Member States.*

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## Executive Summary

As in the 2006 Annual Report on the Malta NRP, the main focus of the 2007 NRP Malta report is primarily written within an economic perspective, and the link between economic objectives and social inclusion policies is not specific. Despite this, there are many instances where it is obvious that the inclusion policy is a the background of many developments and initiatives that the report describes. The report recalls the successes that Malta is having in developing the economy and, in consequence 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, even if not always explicit. The report for 2007 was published later than expected to include a number of policies that were launched as part of the Budget for 2008.

The document is otherwise well written, with the areas of concern identified by the Commission adequately addressed. Even if takes some effort to decipher the social inclusion and social protection objectives Malta is pursuing, a careful reading of the 2007 NRP shows that a significant effort is being made to build on the hospitality culture of the Maltese and to institutionalise social inclusion, now clearly a mainstream topic of discussion. This evaluation report seeks to highlight the most important sectors where this is being implemented. The section on specific changes summarises the two main aspects of what has been going on during the last twelve months in respect of capacity building, in which a lot more work still has to be done, and in a number of specific measures that have been undertaken.

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# 1. NRP: Feeding In & Feeding Out

## 1.1 Background

Malta's first National Reform Programme was submitted to the European Commission in October 2005 with a view to address Malta's contribution to the Lisbon Strategy's primary goals related to competitiveness and economic growth. These measures are now in the implementation process. This Second Annual Progress Report, submitted in 2007, primarily aims to address the Commission's country specific recommendations, the points to watch, and Malta's contribution to the key priorities of the Spring European Council conclusions. In addition, the report captures the progress within the individual measures specified in the NRP that has been registered by Malta two years after its publication. A benchmarking exercise, using Eurostat data to compare Malta's performance with that of the EU25 average, is also included to highlight Malta's achievements in all Lisbon Strategy areas.

As in the 2007 report, *direct* reference to the Social Inclusion and Social Protection dimension of planning is not extensive, and actually, social inclusion is only specifically mentioned twice in the whole report. Despite this, social inclusion remains strong as a latent motif in the document, providing an underlying thrust to the economic development of the island. As such, the feeding in and feeding out dynamic in respect of social inclusion and social protection is heavily present, even if not explicit. The Pre-budget Document 2008 entitled 'Families growing stronger' immediately points to the underlying philosophy of all the government's social and economic policy, namely, to ensure a strong base in which all families thrive, and in which all family members are included in both the creation of wealth and in the sharing of wealth, this being perceived as the most important aspect of the 'common good', and therefore a foundation stone for all public policy.

## 1.2 Feeding in

The report specifically addresses the following issues, primarily from an economic standpoint, but with a clearly social inclusion dimension:

- Competition
- State aid
- Older workers
- Female participation in the labour market
- Promotion of family-friendly measures
- Undeclared work
- Education
- Research & development

The way these issues relate to the social inclusion theme of this report will be analysed next.

### 1.2.1 Competition

Lack of proper competition might be a not so-hidden mechanism that is working against inclusion. This was recognised as an area of concern in Malta and measures to reinforce the Competition Authority, identifying problematic sectors, follow-up measures as well as strengthening competition have been undertaken. Over the past months, internal consultations have been undertaken with the relevant Ministries and professional bodies responsible for the regulation of the liberal professions, in order to identify existing restrictions imposed by state legislation or self-regulation by professional bodies that may potentially raise competition concerns. The Commission had requested that special attention should be given to six specific professions, namely: lawyers, notaries, engineers, architects, accountants and pharmacists. With regard to entry into each of these six professions, it results from the preliminary consultations conducted by the Office of Free Competition that *prima facie* there are no restrictions in place that potentially raise competition concerns. Other factors, for example, fixed or recommended tariffs, advertising, codes of conduct, have been studied and the salient findings acted upon.

### 1.2.2 State aid

Malta is taking measures to reduce State aid over time. In this regard, small Island States like Malta face ad hoc geographical realities and disadvantages that cannot be sufficiently addressed only by horizontal measures. Moreover, the level and composition of state aid in Malta is also reflective of the need for specific interventions in particular sectors, and which had been deemed to be necessary during EU accession negotiations. The Malta report insists that, given the nature of some of the state aid currently being granted in Malta, it is not realistic at this stage to establish annual projections of state aid to be granted in a particular year. The thrust of the NRP in this regard is that aid is necessary for social reasons, and, in general, will 'continue to focus on horizontal measures that are in line with the Stockholm commitment'.

### 1.2.3 Older workers

In the context of projections of recent policy developments over the next few years, and specifically with the aim of closing the gap with other Member States, the Maltese Government embarked on various initiatives aimed at increasing participation among older workers. These initiatives include the Training and Employment Exposure Scheme that aims to promote with employers the fact that employees aged 40 and over can give very efficient and productive work, and to value the concept that 'experience pays'. Some 15% of unemployed older workers (both males and females) are taking part in this scheme. The Redeployment Scheme aims to provide outplacement services to persons made redundant following a collective redundancy exercise. Furthermore, Job Seminars are being held for the older unemployed to inform them on the Employment and Training Corporation's (ETC) employment and training services process; registrants' obligations; job searching skills; employees' rights and obligations and other services offered by other government departments and entities related to employment.

In the budget for 2008, a major policy change was announced: persons reaching pensionable age can go on working and receive their pension entitlement in full if they find new work, or if their current employer requires them. This measure is bound to positively affect the plight of many

pensioners who, on the one hand, are healthy and willing to remain in the work-force, and, on the other hand, would suffer extensively if they were suddenly to rely on pensions which, though supposedly represent two-thirds of their previous income, have *de facto* been capped to salary levels dating back a number of years, thus making it impossible for a person to retain his/her life-style once he/she reaches pensionable age.

#### *1.2.4 Female participation in the labour market*

Further efforts to reconcile family and work (including childcare initiatives) to increase the female participation rate have been made. The Maltese Government has amended current income tax provisions (both in 2007 and in the latest Budget Speech for 2008) with a view to work towards this target. The following legal instruments were also amended and adapted to support female participation in the labour market: tax credit (*Women Returning to Employment) Rules, 2005*; and *Part-time Work (Amendment) Rules, 2005*. Due recognition of men/women working within a family business is now given; and change in the computation system of social security contributions for part-time employment have been introduced to make part-time work, often undertaken by females bringing up a family, more attractive.

#### *1.2.5 Promotion of family friendly measures*

The Maltese Government believes that the promotion of family friendly measures is another effective tool to attract and retain people in the labour market, and, therefore, indirectly to nurture social inclusion. A number of initiatives aimed at promoting work life balance have been introduced. These include: the amendment of the pension reform, (the Social Security Act XIX, 2006); the extension of family-friendly measures in the public sector benefiting a large number of families; and the promotion of childcare services with the aim of raising awareness about the benefits of quality childcare for children, parents, employers and society as a whole. In July 2006, the Maltese Government had already published standards for childcare facilities to ensure the provision of good quality childcare services. Together with these standards, an improvement grant to help existing childcare facilities to meet the established standards had also been launched. As a result, 23 childcare facilities have benefited from this scheme. In the budget for 2008 an amount paid for childcare has been made tax-free. In a similar vein, a fixed amount paid for care in private homes for the elderly by an elderly person him/herself or by a next of kin has also been made tax free, as a result of a specific measure in the budget for 2008.

#### *1.2.6 Undeclared work*

Undeclared work can be of two kinds. The first kind includes that undertaken by persons who are regularly employed and who are engaged in additional profitable activity but do not declare it. The second kind is that undertaken by persons who work full-time or part-time but are not registered as gainfully occupied, do not pay social security contributions and are therefore unable to benefit from the welfare net in a standard way. In view of the strong illegal migrant flow into Malta, the latter group is made up of both Maltese and foreign nationals. Besides causing a significant loss of revenue from the evasion of taxation, persons in the second category are not covered by social security, they have no formal rights for vacation leave, are often paid less than the commercial rate for the work they do and suffer from the lack of coverage and entitlements provided by law. In many instances they are themselves exploiters of the system (through tax avoidance), but in other respects they are themselves being exploited and 'excluded'.

As such, measures are required to address undeclared work and to update estimates in order to carry out a full-scale assessment of the problem. Malta's approach in this respect has perforce to be a multi-dimensional one, addressing jobseekers' training, employers, enforcement, improved inter-institutional collaboration, strengthening the public employment service and public relations/communications. Its result will be to minimise exclusion and extend inclusion. Initiatives taken include: mandatory training and systematic removal from the unemployment register if jobseekers fail to attend job referrals; a focus on long-term unemployed and a literacy programme.

### *1.2.7 Education*

The Malta NRP draws attention to the need for the educational system to focus more closely on the need to effectively address the issue of early school leavers. Raising educational attainment and reducing the number of early school leavers involves: increasing the infrastructural capacity of different Further and Higher Education institutions in those areas of anticipated growth (Science, ICT, business and technology); increasing the resources available to finance specific areas which require completely new development or substantial increases in staff; and, an overarching focus on quality of education provision across all levels to improve accountability, and in the long term, to improve attainment levels; and financing a number of new programmes.

### *1.2.8 Research and development*

Malta is awakening to the need to expand its research and development capability as a necessary preliminary for innovation. In 2006, an increase of 15% over 2005 in total expenditure in the General Government sector was registered. Malta is seeking to do away with the derogations in respect of Commission Regulation 753/2004 and 1450/2004 which refer to R&D and Community Innovation Surveys (CIS) respectively. The reason for this approach relates to the minimal level of R&D activities in the business sector that translated into statistically insignificant values. These derogations were effective in respect of the period 2003-2005. The underpinning motif is a clear understanding that expansion of the economy through research and innovation is a necessary condition for social inclusion as new job opportunities are created.

It is clear from the above that the last edition of the NRP is primarily concerned with economic matters, and specific social inclusion concerns are not directly addressed. The leit-motif of this approach however is the belief that positive results in economic development will contribute to more social inclusion at all levels.

## **1.3 Feeding out**

As has already been indicated above, the compilers of the annual report on the NRP very obviously did not have the social inclusion / social protection agenda as their main focus and the vocabulary normally associated with it, as listed in the guidelines for the section of the evaluation report, once again in the 2007 report do not feature very prominently. The main thrust of this document is very obviously economic, narrowly linked with the strategic themes Malta decided to target to meet the Lisbon Agenda. But the social inclusion agenda is underlying the basic philosophy of the whole document. This can be appraised through a discussion of the outcomes, or feeding out, in a number of key areas, which this section now addresses.

### 1.3.1 Education (including lifelong learning)

Malta's lack of natural resources makes it extremely conscious of the need to promote human development through continuous investment in human capital and education. Malta's National Reform Programme subscribes to this vision and spells out several education and training initiatives aimed, in the long term, at further shaping a highly skilled workforce through lifelong education for all. The report specifically states that 'this goal is seen as the driving force and critical solution to improve the country's long term competitive edge by meeting the nation's competence needs in adapting to the opportunities and threats of globalisation'. It is in this context that social inclusion is specifically mentioned in the NRP as an essential measure. The other overarching measure is to ensure flexible learning pathways and certification of formal and non-formal qualifications and skills among the adult population, motivating life-long learning to ensure a 'flexible, adaptive and employable workforce'.

These efforts are bearing fruit, especially at the upper secondary education sector, as can be seen from Table 1 below:

**Table 1: Percentage of the population aged 25 to 64 having completed at least upper secondary education**

Year	%
2004	23.6
2005	25.3
2006	26.5

Source: Malta NRP, Table 10

But leaving school early remains a problem, although some improvement in respect of female students has been recorded in 2006 over previous years. The rate for males again increased slightly in 2006 after a drop in 2005.

At the tertiary level, student support schemes to further their studies at undergraduate, masters and doctoral levels have been introduced. This measure is allowing students who would otherwise not been able to pursue their studies at higher level because of lack of financial means to be able to do so.

Other social inclusion measures do exist, such as the provision of facilitators, special schools for kids with disabilities, but these are not specifically mentioned in the NRP. In respect of life-long learning, a number of projects are ongoing, such as the Community Technology Learning Centre in Vittoriosa, Microsoft Digital Curriculum, Microsoft Academy, ETC traineeships, National Qualifications Council, train-the-teachers, and an extensive parent capacity building exercises.

Overall, it can be unequivocally stated that public expenditure is being very aggressively used to act as a tool for building up human capital. The general expenditure on education in the annual budget, which among others has seen the creation and enormous success of the Malta College of Arts, Science and Technology (MCAST) in the last few years, is clear testimony to this.

### *1.3.2 Gender equality*

The NRP does not make extensive references to achievements in gender equality, and this can be said to be somewhat of a disservice to the extensive work being done in this area. There is only reference, in respect of the gender pay gap differences which in Malta stands at a very low level (4%), when compared to the EU-25 average (15%).

In respect of gender equality, Malta climbed two places in this year's Global Gender Gap Index carried out by the World Economic Forum, which has just been published, but still remained far behind the rest of the world and the European Union in particular, having been ranked 76th out of 128 countries surveyed for gender equality and 25th in the European Union. But Malta ranked far higher in female educational attainment in 31st place and 72nd in the health and survival portion of the index, with women having a 73-year life expectancy when compared with 70 years for Maltese males.

In the section intended to gauge political empowerment of the same exercise by the World Economic Forum, Malta was ranked 54th (98th for the number of women in the Maltese parliament and 44th in terms of the number of female ministers). The fact that Agatha Barbara served as Malta's head of state earned Malta points in gender equality, bringing Malta into 13th place in terms of the number of years in the last 50 with a female head of state. Over the 50-year range, Ms Barbara's occupied the position of head of state for five years.

However, in this respect, Malta does not have a problem in the long-term, as more females proceed to higher education and gradually are being appointed to senior jobs. Even if the current scenario does not represent equality because too many key positions are occupied by males, there are no reasons to suppose that full equality of access is not going to be the case in the near future.

### *1.3.3 Family policies that promote re-conciliation of work and family life*

Current social and economic policy in Malta is strongly rooted in the belief that the promotion of family friendly measures is a very effective tool to attract and retain people in the labour market, whilst also building flexible organisation systems. A number of initiatives aimed at promoting work-life balance have been recently introduced. As has already been said above, during 2006, the pension reform was amended (via the Social Security Act XIX, 2006). Within this Act, parents born on or after 1 January 1962, who have legal custody of a child, and who opt to leave the labour market or are not active in the labour to care for the child, are now entitled to:

- up to a maximum of 2 years of child minding national insurance credits per child until the child reaches the age of 6, which credits can be shared between the mother and the father; and
- up to a maximum of 4 years of national insurance credits per severely disabled child until the age of 10, which can be shared between the mother and father.

These incentives are available for married, single and adoptive parents, who may be employed, unemployed, inactive or self-employed. These credits are awarded only if the parent returns to employment for a minimum period equivalent to the period of credits awarded prior to the retirement age.

Another action that is being pursued is the promotion of childcare services. In fact, a national campaign towards promoting the benefits of quality childcare was concluded in September 2007. This campaign was co-financed by the European Structural Funds with the aim of raising awareness about the benefits of quality childcare for children, parents, employers and society as a whole. Furthermore, the national campaign consisted of an intensive media campaign, including TV and radio adverts, testimonials, print adverts, billboards, informative leaflets, a half-day conference, a free phone and an informative website. The Employment and Training Corporation has also published a manual for employers focusing on best practices in work-life balance.

Government recognises the important role childcare centres have in today's society. In order to further promote the use of childcare facilities, Government has started an initiative whereby parents availing themselves of childcare facilities are now able to deduct Lm400 from the taxable amount to make good for part of the expenses incurred in licensed childcare services. Furthermore, in those cases where employees receive payment from their employer for expenses related to childcare services, such payments shall no longer be considered as fringe benefits and will therefore no longer be taxable. In those cases where employers pay their employees for expenses related to childcare services, such expenses are considered as business costs and therefore are deductible from taxable income.

In ensuring the provision of good quality childcare services, in July 2006 Government also published standards for childcare facilities. Together with these standards, an improvement grant to help existing childcare facilities to meet the established standards was also launched. In fact, 23 childcare facilities have benefited from this scheme.

#### *1.3.4 Improving the health status of the population,*

The NRP covers health in a number of instances. The major concern at present in Malta is the commissioning of the new, state of the art, General Hospital, which has now been completed. Migration to Mater Dei Hospital from St Luke's is due to be completed in November 2007. Although the quality of health care in Malta is not specifically mentioned in the NRP, it is widely known that generally, Malta already enjoys a high standing in health, with, theoretically, universal access to the public medicine. Private medicine does exist alongside public medicine and it is often complained that access to public medicine is at times artificially delayed, and long queues for elective interventions are created, so that private medicine can thrive. This has been partially addressed by the new collective agreement with the Medical Professions, signed in November 2007, which substantially improves the salary scales of medical professionals working in public medicine, and for the first time providing for full-time professionals working in the public sector. Malta boasts of excellent medical facilities in cardiology and in a number of other areas, but has lagged behind in achieving European levels of survival rates in cancer treatment. A recent analysis found that Malta had a lower five-year survival rate of lung cancer in Europe, The Daily Mail reported last week. Only 8.2 per cent are still alive five years after diagnosis in Scotland and 8.4 per cent in England, compared to 16.8 per cent in Iceland.<sup>1</sup>

<sup>1</sup> [http://www.dailymail.co.uk/pages/live/articles/health/healthmain.html?in\\_article\\_id=491837&in\\_page\\_id=1774](http://www.dailymail.co.uk/pages/live/articles/health/healthmain.html?in_article_id=491837&in_page_id=1774)  
(accessed 10 November 2007)

Legal developments, intended to separate the role of the service provider from that of the regulator, have however been delayed. A new Health Services Act will eventually replace the Department of Health Constitution Ordinance. In order to bridge the time gap that will be required for the promulgation of this Act by Parliament, an administrative decision was taken to implement the top management structures as envisaged in the Act, namely the separation of the Regulator from the Provider. It is envisaged that the Health Services Act will be presented to Parliament in 2008.

Health information and general health awareness has increased substantially and all media are used. Particularly, with the migration to the new general hospital, health issues continue to be very widely debated in public, even if at times, with too many political overtones. The positive outcome however, remains wider consciousness of the need to safeguard one's health and to secure the best medical care for one's needs. On this front, the situation in Malta is very positive both in terms of the infrastructure and the quality of professional care available in most sectors.

### *1.3.5 Higher employment rates*

The chapter on Employment in Malta's NRP is based on a clear understanding that the Lisbon Strategy clearly places job creation and economic growth in all its Member States as the keystone of its objectives. The emphasis on employment within Malta's National Reform Programme is evidenced by the fact that employment was selected as one of the five main pillars on which Malta's NRP is hinged. Labour market performance is seen as being critical to the island. A better balance between the employment in the public and private sector is evident and these improvements are happening in an economic climate that is not entirely favourable for job creation and hence their significance is augmented.

The measures within the employment pillar continue to reinforce and address this goal and are already contributing towards achieving positive results. In fact, as at June 2007 the number of registered unemployed stood at 6,33218, a decrease in the overall number of unemployed persons of 748 when compared to June 2006. In fact, Malta's unemployment stands at 7.3% that is lower than the EU-25 average of 7.9%.

But the notion of 'adequate income' is not directly addressed. Through the new fiscal measures, net income has improved for all workers, but the notion of 'adequacy' is nowhere referred to. There is no study known to the present writer about what adequate income would mean in the Maltese context. The major concern in Malta does not appear to be a concern with what is adequate, but a concern to improve employment rates, and effectively the NRP reports that Malta has registered an improvement in its employment growth to the tune of 2.7% between 2005 and 2006 compared to the EU-25 rate of 2.4%.

Additionally, a number of indicators also demonstrate the importance given by Government to social cohesion, as this aspect of Maltese society also helps make Malta an attractive place to work and live, thereby contributing to the key goals of the Lisbon Strategy and upholding European and Maltese values. For instance, Malta's inequality of income distribution in 2005 stood at 4.1 as opposed to the EU-25's 4.9. This reflects Malta's lower pay gap disparities between the extremities of the employment strata. Malta fares consistently better at limiting the at-risk-of-poverty cohort of its society across gender, as well as before and after social transfers. This means that Malta's care for the weakest elements of society is well above average levels

within the EU-25. Malta's jobless household rating across all age groups and gender shows not only a constantly decreasing level but also better than the EU 25 scenario.

In order to make jobs more attractive to the low skilled and vulnerable groups, the social security contribution paid by part-time employees for whom such employment is their main job have been adjusted, and training courses specifically aimed at job seekers are constantly being organised by ETC. A key challenge in this regard is for Malta is to increase the overall female participation rate in employment. Though it is acknowledged that reaching the target of 40% by 2010 is demanding, Malta is nonetheless, committed to register improvements in this regard. For this reason a number of initiatives have been introduced, namely tax credits to women returnees, family friendly measures to encourage more working mothers, and a promotion of the use of childcare centres. The recently announced tax rebate for all families using the facilities of private kindergartens will contribute to this. One has to keep in mind the cultural factors that have developed over the past centuries and are still prevalent in Maltese society which on one hand have strengthened the values of Maltese people making it a compassionate and inclusive society. This is evidenced amongst others, in Malta's better performance<sup>2</sup> at limiting the at-risk-of-poverty cohort of its society, lower pay gap disparities and very low gender pay gap. On the other hand, this deep-rooted way of life militates against rapid change. Like all cultural change programmes, communication and education are critical. Results cannot be achieved instantly but rather through a series of incremental mutually reinforcing measures.

The second annual progress report highlights in particular, the following aspects under the employment pillar. Although employment rates for Malta (indicator: em011) are lower than for the EU-25, it is to be noted that improvements are being registered with an increase of 0.9 percentage points between 2005 and 2006. These figures result from Malta's weaker performance in the employment rate of females (indicator: em012) as in the case of males (indicator: em013), the overall employment rate is actually better than the EU-25. Malta has registered an improvement in its employment growth to the tune of 2.7% between 2005 and 2006 compared to the EU-25 rate of 2.4% (indicator: eb031). In particular, one notes the significantly higher rate of growth applicable to females that outshines the EU-25 performance by 4.1 percentage points for the same period (indicator: eb032). This is not applicable in the case of males as the total percentage of males in employment is 2.5 percentage points higher than in the EU-25 as at 2006 and has been consistently above the EU-25 level for the period 2004-2006.

The taxation measures targeting employment and in particular at increasing female participation have been described thoroughly in the report. These include the: Tax Credit (Women Returning to Employment) Rules, 2005; Part-time Work (Amendment) Rules, 2005; revision of income tax bands; recognition of men/women working within a family business; change in computation system of social security contributions for part-time employment; family-friendly measures; and childcare centres.

Over the last year, Malta was faced with the sudden closure of a number of textile manufacturing companies. Reaction to this was quick and explicitly targeted this vulnerable group. The negative impact of widespread dismissal resulting from this was contained. The NRP does not refer to these developments, but the fact that they took place suggests that the structures for crisis intervention do exist and are generally effective when needed.

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<sup>2</sup> News Release: Registered Unemployed: July 2007. Available online: [www.nso.gov.mt](http://www.nso.gov.mt) [Accessed 28th July 2007]

It is not government policy to adopt early retirement schemes. These schemes are more the result of an ad hoc arrangement usually emanating from a restructuring exercise. Malta has good reason to believe that invalidity pensions were considered as early exits. An impairment table has been created, providing indicative data of what jobs that person could still do, and therefore the individual would not be boarded out for life.

### *1.3.6 The pursuit of quality jobs*

With entry into the EU, the restructuring of the economy has been undertaken relentlessly. The emphasis on ICT, science popularisation, financial services, healthcare, education, R&D, aviation, pharmaceuticals, etc are few examples of the types of sectors which are being promoted, with success stories being recorded. These are the areas where quality jobs are being perceived to be essential. In order for this to be possible, the alignment of the educational system and investment in University of Malta, in the Malta College of Arts Science and Technology (MCST) and the plethora of other public and private educational offerings is mainly targeted towards professional, technological and managerial jobs.

The NRP discusses various initiatives that are meant to implement Government's strategy towards increasing the overall employment rate and particularly to increase the employment rate amongst youth. The employment rate amongst youth has been showing a positive trend during the past three years that is the result of a number of training programmes/ schemes specifically targeting youth job seekers. Various measures are being undertaken to decrease the amount of unemployed youth. The Public Employment Service agency, ETC, has carried out a skills profiling exercise which served to establish the training needs for those youths registering for work and to refer these youths to job vacancies which are relevant to their qualifications and experiences. Among such measures, there are to skills profiling, career paths, personal action plan, advisory services and training services.

In spite of this, of the five main criteria used by the World Economic Forum to formulate the Global index, Malta fared worst in the economic participation and opportunity index, having been ranked 99th out of the 128 countries analysed. While Malta's growth rate in the area outstripped the EU average last year by 4.1 percent, a good deal of work is still obviously needed in the area.

In terms of wage equality for similar work, while Malta ranked an impressive 28th in the world on the same Index. The country's other performances in the sector were less than desirable – placing 108th in labour force participation.

### *1.3.7 Overcoming territorial differences and regional gaps*

The size of Malta militates against the development of high imbalances across regions, except in respect of Gozo, Malta's sister island. In effect, over the last year, Gozo is being given a lot of importance as a specific mention in the current's vision of which areas Malta should seek to excel by 2015. The Government has also completed another measure aimed at fostering an entrepreneurial culture within Gozo that has led to the opening up of 14 new start-ups in Gozo. These represent 5.4% of the annual average new VAT registered self-employed who have their business address in Gozo.

Together with Gozo, the South of Malta required attention. The NRP does not go into these areas/regions per se in the report, but initiatives addressing these two 'mini-regions' do exist:

- Gozo is a strategic pillar in Government's agenda, as evident in all Pre Budget Documents and in the Budget Speech for 2008. This is taking a holistic vision for the socio-economic-environmental development of the sister island.
- ETC's work in Gozo
- the Public Service setting up back office functions in Gozo to engender more knowledge-based jobs and reduce social fragmentation
- The initiative of one of Malta's largest banks (HSBC) to set up a Call Centre in Gozo
- Part-time work regulation which presumably would have a great positive impact in Gozo given the scale of part-time work there
- Specific centres in the South for LLL and community-support/care
- Smart City @ Malta, which will create over 5000 new jobs, a substantial number of which are IT related, is located in the south.

As explained in the section on education, a good educational infrastructure is perceived to be essential to remove inequalities, and as part of the educational reform, Malta has also embarked on extending the current school stock by building new and refurbishing existing state schools. To ensure that there is no gap in the resources available in Gozo, a new secondary school is being built there, and it is envisaged that during 2008 Gozitan students will also start utilising the first phase of the building.

### *1.3.8 The redistributive role of social protection systems*

The crucial redistributive role of the social protection system is acknowledged and being implemented. It has always been said in the NRP that Malta needs to ensure adequate public finances, an attractive business/job-creation environment and skills to continuously improve its national competitiveness with the ultimate aim of retaining the quality of life and its social protection systems. Malta's efforts in this sector have been primarily in the pensions' reform area of social protection systems that has taken an inter-generational approach. What has been done so far however are only first steps: Malta has initiated the reform process with the first incremental measures coming in place during the NRP time period. The core theme of the pensions' reform was Adequacy and Sustainability.

In this regard, one has to add that the Social Security Act is up for review as well. There is the recognised need for more integration of effort in policy and sustainability. Hence, the means testing review. Equality in redistribution is also manifest in the concern to reduce benefit fraud. The report includes the estimated savings from this activity.

Otherwise, social protection systems, including both health and social security, are positively covered by the provisions of the NRP. In its various sections, the NRP demonstrates a concern that more is allowed or provided for families to be able to live a better life. Implicit tax rate on

labour is lower in Malta than the EU-25 (Malta 22.1 vs. EU-25 36.6 in 2005), thus contributing to a lower tax burden and hence increased spending power.

Besides, the tax rate on low wage earners (em041-em044) across household and increases in gross earning scenarios in Malta is significantly lower than the EU-25, a fact that points to the kind of protection that is afforded to such groups in order to avoid social exclusion.

Malta also fares consistently better than the EU25 average when taking into account the lower pay gap disparities between the extremities of the employment strata; the at-risk-of-poverty cohort of its society across gender before and after social transfers; and, the jobless household rating across all age groups and gender. This shows that the NRP employment measures are also being implemented in an incremental yet mutually reinforcing manner (with other NRP thrusts) keeping in view social inclusion and cohesion without undue shock tactics and risk to those at the margins of society.

### *1.3.9 Fiscal policies*

In Malta's case, the NRP has influenced past budgets. This budget for 2008 is the most socially oriented of all budgets over the past few years. The NRP was published after the budget and many examples have been included, even though concern with social cohesion as such was not a primary concern in the minds of the drafters.

In this respect, Malta has always been sensitive to the weakest cohorts in society. Reform measures have focused not only on the goals but also on the means, the sensitivities and the implications. Reforms have not been pursued at all costs for purely competitiveness-needs. The approach adopted is more of a continuous evolution, characterised by incremental developments, no shock tactics, balancing the pros and cons in a manner that the wider society is least negatively affected.

### *1.3.10 Child poverty*

Child poverty as such, is not referred to in the NRP. Nevertheless, it is to be pointed out that Malta fares consistently better at limiting the at-risk-of-poverty cohort of its society across gender as well as before and after social transfers (sc021-sc026). This means that Malta's care for the weakest elements of society is well above average levels within the EU-25.

It has often been stated that monetary poverty is not extensive in Malta because of the social security net and because of the other supporting services provided, among others, by Church institutions. Poverty of another kind, reflecting itself in early school leaving for example, persists. This is being tackled with some success, as is commented upon in another section of this report.

### *1.3.11 Social integration of migrants and ethnic minorities*

The issues related to migration and ethnic minorities have been given ample space in one of the previous reports. Malta does not have big integration issues in respect of legal migration flows and full integration can be said to be the case in respect of migrant groups who, over the years, settled in Malta. However, the islands are currently facing enormous problems with illegal migration flows from North Africa. In this respect, Malta is strongly pursuing a campaign of

problem sharing at all levels and in all the fora of the EU. The island cannot sustain the out-of-proportion load being faced with as boatload after boatload of illegal migrants approaches its shores.

In respect of those migrants, from within the illegal migrant group, who are accorded freedom of movement and live in the open centres, integration is taking place in a number of important social sectors, primarily the employment sector. When members of this group do manage to find registered work, they are treated without prejudice to colour and race and normally are accorded the same conditions as Maltese workers. The situation is quite different for those who do not seek, or do not manage to find, work legally. Here cases of discrimination are not uncommon, and persons from among this group are often offered underpaid jobs, generally for very short periods.

In respect of services like public medicine, however, migrants are accorded full access to services as required.

The recent trends in illegal inward migration is perceived to be, and actually posits, a great problem to Malta because it is putting a lot of stress on the country's social infrastructure. The country is not in a position to absorb the inflow, nor able to carry on its own the social and economic burdens. As a result, elements of xenophobia do surface at times, in public debate and in the media.

### *1.3.12 Governance*

Growth and job creation are recognised to be the key national goals in Malta, and as such, constitute the prime focus of the Malta Council for Economic and Social Development. Civil society is recognising more and more this orientation even if, naturally, each constituted body tends to bring its own sectoral interests and concerns to the fore. However, it can be stated that in Malta there exists a broad alignment on the matter, although consensus on specific measures may not always be easy to achieve.

Various approaches are used depending on the scale and reach of measures. Given that some measures have been deployed recently, it may be premature to evaluate certain programmes/initiatives, as they need time to mature. Nevertheless, output/take up is usually measured. Post implementation reviews with a view to learn valuable lessons are also carried out to refine programmes/initiatives. In the most compelling cases, impact assessments are used. For example, during the Pensions Reform process, a detailed Social Impact Assessment was carried out based on the World Bank PROST methodology but also including substantial qualitative data.

Consultation is widely accepted in Malta. This can be evinced by the plethora of documents and consultation sessions held in the past years. The latest budget and the NRP itself are cases in point, to the extent that when the budget was read, the 'surprises' were indeed minimal as the wide consultation undertaken prior to its being finalised had already created wide consensus on the priorities that needed to be addressed, and how. In this the democratisation process in Malta is healthy and developing fast outside the narrowly political sector. The process is also reflected institutionally: the Malta Council for Economic and Social Development (MCESD) is intensively involved. Civil society also has a place on MCESD. Moreover, the Chairperson MCESD also sits

on the Cabinet Committee for Competitiveness that is responsible for all Lisbon-related processes

What is perhaps slightly missing is more knowledge sharing between NRP co-ordinators so that better co-ordination can be ensured. At the EU level, it appears that more sharing is also desirable so that lessons learnt and successful approaches can be more immediately shared between Member States.

## 1.4 Conclusion

The 2008 NRP is essentially an economic appraisal document, and attempts to specifically address social inclusion issues are missing. The consequences of economic success on social inclusions issues can however be easily perceived. Social inclusion issues are becoming increasing mainstreamed and the views of the stakeholders more widely sought after.

The fact that the link with measures and policies under the EU Social Protection and Social Inclusion Process is not explicit does not imply that Malta is not considerate of the EUSP/SIP or domestic social policy challenges and needs. In fact, the Minister MFSS sits on the Cabinet Committee on Competitiveness that is ultimately responsible for all Lisbon-related processes in Malta. The country has improved extensively in its policy integration and joined-up efforts. More needs to be done but there are many examples that most initiatives have both economic and social outcomes. Hence, the authorities involved and the stakeholders consulted.

However, Malta needs to work more on co-ordination and integration between economic and social policies, because even though economic and social policies can be, and generally are, mutually supportive, coordination and integration should not be taken for granted. Making them more explicit will improve their effectiveness and ensure that the ethical and moral principles involved at the core of the thrust for a more inclusive society are immediately obvious. This will result not only in economic progress as such, but in a qualitative transformation of the fibre of society, and of Maltese culture as a whole.

## 2. Recent Changes

### 2.1 Preliminary note

The changes that have been registered over the last twelve months broadly fall into two main categories, namely:

- Capacity building initiatives
- Specific measures.

Each of these two will be looked at briefly.

## 2.2. Capacity Building initiatives

### 2.2.1 *Instructor Certification programme on Non-Violent Crises Intervention*

A number of professionals within the Foundation for Social Welfare Services (FSWS) have completed an Instructor Certification programme on Non-Violent Crises Intervention. The strategies taught in this training programme, provide staff members and/or staff teams with a proven framework for decision-making and problem solving to prevent, de-escalate and safely respond to disruptive or assaultive behaviour when dealing with service users. Such training offers a solid foundation to structure prevention and intervention approaches based on a philosophy of providing the best possible Care, Welfare, Safety and Security for staff and those they are responsible for - even during crisis situations. This will aid the professionals to intervene more safely when behaviour becomes dangerous. Most important, it will not damage the professional bond that has been established with the service users. The often complex social situations that clients present may be one of the reasons why clients tend to transfer their anger and aggression on to the staff.

### 2.2.2 *Flexitime*

In an attempt to attract more females to take up gainful employment, and to assist families come to terms with family needs that at times conflict with work requirements, flexitime has been given prominence and new arrangements have come into being. The following legal instruments were amended and adapted to support female participation in the labour market: tax credit (*Women Returning to Employment*) Rules, 2005; and *Part-time Work (Amendment) Rules, 2005*. In addition, due recognition of men/women working within a family business is now given and fiscal provisions in this regard have been modified.

### 2.2.3 *Service upgrades*

As part of an on-going programme enhancing facilities, Ghabex, Agenzija Appogg's Emergency Shelter for Women installed a portable swimming pool at its premises, to provide the children of victims of violence with activities and some relief during the summer months, who normally cannot go to the beach like other families, due to fear of the perpetrator. This was done with the help of the HSBC Cares For Children Fund (HCCF). The emergency shelter provides 24-hour crises intervention to women and their children who are victims of domestic violence, and who need immediate protection. The shelter provides a safe environment to the victims. The women's stay at the shelter is aimed at a maximum period of three months, after which service users move on to a second stage shelter, or to any alternative accommodation that would have been identified during their stay at Ghabex. During these three months, staff at Ghabex support the women in their daily needs, and work with them to draw up an action plan for their future.

#### *2.2.4 Active Aging*

A major policy change involves persons reaching pensionable age, who can now go on working and receive their pension entitlement in full if they find new work, or if their current employer requires them.

#### *2.2.5 Home-Start Malta*

Home-Start Malta is once again encouraging people to join the team of volunteers to help families in need of support and guidance. The service selects, trains, monitors and supervises volunteers who will be in direct contact with parent/s referred to the service. The volunteers must be parents themselves or have experience in parenting or working with children. Trained volunteers who are supported and monitored closely by the Home-Start co-ordinator run the service. Home-Start offers support and practical help to parents with young children in local communities. To help give children the best possible start in life, Home-Start supports parents as they grow in confidence, strengthen their relationships with their children and widen their links within the local community. This started off in 2006 in Cottonera but following its success, it has now expanded to Zabbar, Zejtun and Fgura, thus implementing a policy that is addressed to meet regional requirements.

### **2.3 Specific measures**

Over the last twelve months a number of measures have been taken, or have been announced as ones to be implemented in the very short term. In Malta, the annual budget is normally used as the occasion when measures of this kind are announced, and most do get implemented in the following twelve months. What follows is a summary of measures related to social inclusion that are in this state.

#### *2.3.1 REACH – A project in favour of Cottonera youths*

The project REACH, also located in a relatively depressed area, assisted low achievers in Birgu to obtain basic school leaving certification. The programme is financed by the EU involved a number of agencies (ETC, Appogg, Sedqa and the Kullegg tal-Kottonera). Reach promotes an alternative curriculum approach to enable non achievers to conclude their education. REACH was created following research which showed that early school leavers were ending up unemployed.

#### *2.3.2 New benefits to offset energy costs increases for low income groups*

New benefits were introduced to help low-income groups to cushion the increase in the cost of energy products. Whilst in previous years Government was spending around 800,000 liri (€1.8 million) in order to make up for the surcharge of those families who were dependant on social benefits, this year we allocated the sum of 3 million and three hundred thousand liri (€7.7 million) for this new benefit. More than 27,000 families with a low income, sick persons, persons with a disability and other humanitarian cases who need to consume more electricity and water than average are being helped.

### *2.3.3 Reform in Children's Allowance Benefits*

Following the 2008 budget and with effect from the 5th January 2008, families with a household income exceeding €23,923 (Lm10,270) are entitled to the Fixed Children's Allowance of €250 (Lm 107) per child per annum. In the case of families where the household income is €23,923 (Lm10,270) or less, the eligibility to Children's Allowance is calculated on the difference between the declared income of the family for the previous year and the established threshold of €23,923 (Lm10,270). Families whose declared income amounts to less than €4,658 (Lm 2,000), the amount that is considered is €4,658 (Lm 2,000).

It is important to note that the amount of social security contributions paid for the previous year are deducted from the declared income and no income tax is paid on Children's Allowance received.

As from the 5th January 2008, no Children's Allowance payable to any family is to be less than €250 (Lm107) per child per annum. Prior to the 5th January 2008, the minimum Children's Allowance per family was established at €121.13 (Lm52) per annum.

### *2.3.4 Persons with a disability and their families*

Persons with a Severe Disability who are certified by the National Commission Persons with a Disability that they require a Personal Assistant are assisted as follows:

- They are exempted from the payment for permits issued by the Employment and Training Corporation for the employment of a foreign personal assistant;
- They are exempted from the payment of the social security contribution in relation to the employment of their personal assistant.

The Allowance for Children with a Disability has been increased from a maximum 5 liri (€11.65) per week to one fixed rate of 7 liri (€16.30) per week, an increase of more than 100 liri (€233) per year and will not remain subject to a means test.

All beaches with a Blue Flag status will be completely accessible to persons with a disability. Also, a plan is to be drawn up indicating how public sanitary conveniences will all become accessible within a determined period of time.

Whoever employs a person with a disability registered with the Employment and Training Corporation is exempted from the payment of the social security contribution for the first three years of employment.

### *2.3.5 Benefits in respect of private residential services expenditure*

Expenditure made by senior citizens and their families private residential services be exempted from income tax. Government is allowing a maximum deduction of 2,000 euro (Lm858.60) per annum from the taxable income of the senior citizens or from that of their family members who may be paying for the service.