



Malta

Minimum Income Schemes

A Study of National Policies

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Executive Summary

The notion of a Minimum Income Scheme does not exist as such, within the Maltese context, although there is a net of provisions that ensure that those who benefit from the existing entitlements are assured of a stable income that is slightly lower than the minimum wage. Social solidarity has a long history in Malta, going back to the establishment of charitable bodies in the XVII century by the Knights of St John. In more recent times, social security has become a lynchpin of Maltese social life.

Social security in Malta is divided into contributory and non-contributory benefits. The provisions for non-contributory benefits can, in the Maltese context, therefore be assumed to be the nearest to a minimum income scheme. The provisions are broadly divided into two: (a) Pensions and (b) Family Allowances & Maternity Benefits. The benefits can be grouped as follows: Sickness Assistance, Medical Aid, Milk Grant, Age Pension, Social Assistance, Carer's Pension, Allowance for Children with a Disability, Pension for Persons with a Disability, and Supplementary Allowance. Most of these entitlements are means tested, but some are not. Those which are means tested are subject to a very complicated mechanism which incorporates (a) capital ownership and (b) income.

In the majority of instances the benefits are addressed at the household and not at the single individual, with the consequence that a single individual living within a larger household might find that he/she cannot benefit from the provisions simply because other members of the same household are financially better off.

The Maltese scheme is characterised by complexity, lack of hard data that allows policy makers to base their decisions on real and not simply on perceived needs, and one that in some instances is conducive to segments of the population (notably individuals who know how to work the system and who cannot aspire to be profitably employed in good jobs) to fall into the benefit trap, thus creating a cycle of dependence on state provision. The dearth of data is particularly problematic because it does not allow policy makers to know the extent of take-up from among the truly needy component of the population. Available SILC data, though limited, clearly suggests that the scheme is very effective in reducing the at-risk-of-poverty rates, but it cannot be used to make a thorough assessment of its effectiveness.

Through various schemes, the Employment and Training Corporation, a parastatal agency, seeks to assist persons to take up profitable employment and provides training opportunities tailor-made to assist both the unemployed and their potential employers.

As such, it is very strongly recommended that a public debate on what should constitute a minimum income scheme, and to seek to devise a non-fragmented scheme is necessary. In order to develop a new scheme, basic research is necessary, primarily to establish the actual poverty line in Malta, but also to identify which are the groups, and the individuals within these groups, that would truly benefit from a state funded minimum income scheme. Past experience suggests that whatever scheme is devised, special attention needs to be given to the dangers of a poverty trap: in a small society like Malta an element of *omertá* is present and reporting is minimal. The role of care professionals in direct contact with persons who are clearly abusing of the system, has to be clarified since current thinking amongst these professionals suggests that system abusers should not be reported for ethical reasons.

1. Maltese Social Security History

Even before the advent of the welfare state, an element of social security had been developed in Malta from the time of the Order of the Knights of St. John who ruled the islands between 1530 and 1798. The Knights provided assistance in cash and in kind to the poor segments within the Maltese population. In the mid 1600, the Knights officially set up charitable bodies. But the first Government sponsored social benefit as of right was introduced on the island in 1885 in the form of a pension scheme for the members of the Malta Police Force. Modern social security measures were first introduced after 1921, when Malta was awarded self-government by the UK Parliament. The main stages of development can be summarised as follows:

1927: *Widows and Orphans Pensions Act*: The aim was 'to make provision for the granting of pensions to widows and children of deceased Public Officers'.

1929: *Workmen's Compensation Act*: The first-ever Social Security contributory scheme according short-term coverage to all employed workers on the island when injured at their place of work was introduced. Contributions towards this scheme were compulsory and were made on a tripartite basis, with employers, employees and the State each paying an equal share into the fund, so that the scheme would remain viable. The concept of social insurance was thus, introduced in Malta for the first time.

1948: *The Old Age Pensions Act*: It provided for the payment of pensions to persons over the age of 60 years. This pension was not a contributory scheme, but was means tested.

The Early 1950's: The start of an unregulated scheme of financial assistance (then known as 'relief') for needy families whose head of household was unemployed. This scheme was also means tested and non-contributory.

1956: *The National Assistance Act*: It made provisions for social and medical assistance (the latter, both in cash and in kind) to heads of household who were unemployed and either in search of employment or unable to perform any work because of some specific disease, provided their family's financial resources fell below an established level. Persons suffering from a chronic disease were allowed medical assistance in kind free of charge as well, irrespective of their family's financial resources. In addition to social and medical assistance, this Act also provided for free institutional care for the aged, free hospitalisation and treatment in all Government-run institutions/hospitals. Social and medical assistance were otherwise means tested. In addition, whoever qualified for social assistance was also paid a rent allowance if the head of household was paying rent for his place of residence.

1956: *The National Insurance Act*: It was introduced also in the same year as The National Assistance Act, provided for a comprehensive scheme of social insurance financed through contributions paid by the employee, his employer and the State. This Act covered a wide range of benefits, allowances and pensions. This scheme was compulsory for employed persons and covered sickness, employment injuries/diseases, unemployment, widowhood, orphan-hood and old age. Coverage was universal and contribution based. With this Act coming into force, the 'Workmen's Compensation Act' was repealed.

1957: The *Old Age Pensions Act* of 1948 was extended to blind persons, thus introducing a new non-contributory pension termed Blindness Pension, also means tested, and payable only to blind

persons who were aged 40 years or over. In 1962 this qualifying age was lowered to 14 years, the school-leaving age.

1965: Self-employed persons and non-employed persons were included within the scope of the 'National Insurance Act'.

1965: The introduction of a contributory scheme for the award of an Invalidity Pension as a new benefit.

1972: The introduction of payment of an annual Bonus to all Social Security pensioners and recipients of Social Assistance.

1974: Child Allowances were introduced as part of the National Insurance Act. Payment of such an allowance was not subjected to some specific contribution test as had been the case up to that date with other benefits payable under the said Act.

1974: A non-contributory Handicapped Pension scheme was introduced which was further extended to cover persons who were suffering from a mental severe sub-normality or from cerebral palsy. These provisions were further extended in 1975 to include certain other categories of severely handicapped persons.

1979: The introduction of a new contributory scheme for the payment of a wage/income related retirement pension, accompanied by a pension scheme for widows calculated on their deceased husband's wage/income, covering both employed persons and self-employed persons. A National Minimum Pension was introduced to ensure that persons claiming a contributory pension would not fall below a certain rate of pension.

1981: The introduction of Maternity Benefit, payable to all pregnant females. Payments covered the last 8 weeks prior to confinement and the first 5 weeks after confinement. Moreover, Maternity Leave on full pay, in terms of the Conditions of Employment (Regulation) Act, became payable to females who do not apply for Maternity Benefit.

1986: The payment of Social Assistance was extended to single or widowed females who were on their own, regularly taking care of an elderly or handicapped relative.

1987: Social Security provisions were consolidated through the *Social Security Act 1987* (Chapter 318 of the revised laws of Malta), thus replacing the *Old Age Pensions Act 1948*, *The National Assistance Act 1956* and the *National Insurance Act of 1956*.

1988: Two new benefits were introduced, namely the *Disabled Child Allowance* and a means-tested *Parental Allowance*. A common pre-condition towards the payment of these allowances was that the beneficiary (normally the mother) should, in the first instance, be entitled to Children's Allowance.

1989: The introduction of (a) a *Family Bonus* (payable to recipients of Children's Allowance) and (b) a short-term *Emergency Assistance* in cash or in kind for home-driven destitute females who find temporary shelter in a home for such females.

1991: The introduction of a *Widower's Pension* and *Orphan's Supplementary Allowance*.

1992: The introduction of a Carer's Pension payable to all unmarried or widowed persons who are taking care, on their own, of a parent who is bed-ridden or confined to a wheel-chair.

1996: The introduction of a *Supplementary Allowance* was introduced to all Maltese citizens whose total income fell below a certain level.

1996: A revision of the Child Allowance scheme, which had been introduced in 1974, subjecting it to a household means test.

1997: Amendments were made to the Act in order to give a new meaning to the term 'Service Pension' allowing persons receiving a pension of less than Lm200 per annum to benefit in full from it.

1998: The abolishment of all differences between the conditions for entitlement to a widows/widowers pension, making all the benefits applicable to a widow, in respect of contributory benefits applicable to a widower.

1998: Gender discrimination in benefits was eliminated, making both a married man and a married woman entitled to sickness benefit at the married rate, as long as their spouse is not in gainful employment.

2002: The introduction of a *Care Allowance*, to cover children who are living in institutions and to fostered children.

2005: The removal of discrimination in respect of disability pension. From such a date, where married couples were entitled to receive a disability pension, the rate of pension payable to each spouse became equivalent to the rate payable to a single person instead of a benefit payable to a couple.

2008: Child Allowances were again made non means-tested.

As can be seen from the foregoing brief historical excursus on the way social security developed in Malta, contributory and non-contributory schemes developed parallel to each other, especially in modern times when the notions of welfare started to replace the notion of charity as had been practised previously, especially through Church inspired philanthropic institutions. Even today, the two strands of provisions continue to be very closely intertwined, and together they provided quite a comprehensive security net for the Maltese population. The non-contributory provisions in force in Malta can be said to be what most approach the definition of a 'Minimum Income Schemes', defined as:

- they ensure basic needs at minimum standards of living, providing assistance for individuals and their dependants, when no other source of financial support is available;
- they are non-contributory and tax-financed;
- for the most part, they are not time-limited, although they are assumed to be temporary;
- they require capable people to be available for work;
- they are means-tested and subject to some degree of discretion from authorities;

- their eligibility depends on age, and residence for a minimum specified period;
- benefits usually depend on the household situation of the family and are often combined with other social benefits (housing, heating, child allowances).

Within the Maltese context, this definition applies in a broad sense. This report will seek to identify the areas where divergences exist. A first look will be at current legislation.

2. Current Legislation

2.1 Introduction

As has already been indicated above, in the current legislation, non-contributory schemes are covered by the very complicated Act, known as The Social Security Act, which constitutes Chapter 318 of the Laws of Malta. The Act provides for two basic schemes. One Scheme is known as the *Contributory Scheme*, and the other as the *Non-Contributory Scheme*. In the Contributory Scheme, the basic requirement for entitlement is that specific contribution conditions are satisfied. In the Non Contributory Scheme, the basic requirement is that the conditions of a means test are satisfied.

The administration and execution of the provisions leading to the implementation of these two schemes are provided for in the Act. Execution is centralised and vested in the Director, who has certain discretionary powers, but the Act also provides for in-built mechanisms that ensure redress when a claimant feels aggrieved. In fact, one section provides for an appeal to be lodged in front of the Umpire who is empowered to decide even against the Director. The Director is also liable to be challenged in the Civil Courts, including the Court of Appeal as well as the Constitutional Court.

Non-contributory provisions were originally meant to cater for those below the 'poverty line', but have evolved over the years into a comprehensive scheme with a number of benefits that supplement each other. This has made it possible for the simultaneous allocation of more than one benefit in those cases where more than one contingency is present. Moreover, through the process of targeting, this scheme has succeeded in the provision of additional assistance to certain specific categories such as, in the case of persons with a disability, in the case of single parents, as well as in the case of the family as a single unit. The end result is that in many instances, the amount of assistance payable compares favourably with what is defined as the current social wage. This flexibility has been made possible by having different means tests applied to certain benefits, and by the elimination of non entitlement thresholds and their substitution by what are know as topping up systems. These developments took place over a number of decades and were promoted by different governments, irrespective of political ideology. In many ways, they provide an interesting vantage point on the way Maltese society developed, both politically and economically, as it moved from being a colony dependent on the expenditure of the British Services to a modern independent republican state with full EU membership.

The Contributory Scheme may be said to cater for the other side of the coin. This scheme is universal since it practically covers all strata of society. The contributory scheme in Malta is a system whereby an employee, self-occupied or self-employed person pays a weekly contribution as laid down by the Social Security Act. The scheme covers all employed, self-employed, self-occupied as well as unemployed persons. Different classes and categories of 'contributions' exist; in some instances, provision for the crediting in lieu of the payment of contributions is made.

2.2 Non-contributory benefits

Almost all the non-contributory benefits are based on a financial means test of the person claiming such pension/benefit or allowance. As in the definition given at the beginning of this report, the means test is household based, and not individual based. In fact, these non-contributory benefits are mainly aimed at providing social and medical assistance (the latter, both in cash and in kind) to heads of household who are unemployed and either in search of employment or unable to perform any work because of some specific disease, provided their family's financial resources fall below a certain level.

Non-contributory benefits also accrue in favour of persons who suffer from certain chronic diseases. These are allowed a medical aid grant free of charge, irrespective of their family's financial resources. Whoever qualifies for social assistance is also paid a rent allowance, if the head of household is paying rent for his place of residence.

2.2.1 Means Test

As already indicated, *most, but not all* non-contributory benefits, are paid provided that a financial means test on the whole of the household is carried out and it is proven that the income of the household falls below a certain level. There are three non-contributory assistances entitlement which do not rest on a financial means test and these are Children's Allowances, Leprosy and Tuberculosis Assistance. Once it is ascertained that a person is suffering from Leprosy or Tuberculosis, s/he is automatically entitled to such non-contributory benefit.

The means test is the basis on which depends entitlement to non-contributory benefits, pensions and assistances. This test is also used to establish whether a person is entitled to an exemption from the payment of a social security contribution under the contributory scheme.

The non-contributory benefits, assistances, and pensions, which are subject to a means test, are the following:

- Sickness Assistance;
- Medical Aid;
- Milk Grant;
- Age Pension;
- Social Assistance;
- Carer's Pension;
- Allowance for Children with a Disability;
- Pension for Persons with a Disability; and
- Supplementary Allowance.

The means test is regulated according to the Second Schedule of the Act. This Schedule is divided into eight parts, each part according to the type of Assistance, Allowance, Pension, or benefit being tested. This is a very complicated section of the legislation because it has been so often amended. The respective sections cover:

- Exemption from the payment of a Class Two Contribution;
- Sickness Assistance;
- Free Medical Aid;

- Age Pension & Carer's pension;
- Disability Pension & Blindness Pension;
- Social Assistance;
- Children's Allowance & Disabled Child Allowance;
- Supplementary Allowance.

The means test has two basic components. The first component is what is known as the Capital Resources Test, whilst the second is known as the Income Test. The means test is done on the property and the income of the whole household and not on that of claimant only. However, there is a provision that in the case of certain assistances, working members of the family are excluded. In the case of Children's Allowance Capital Resources the means test has been abolished and it is now accorded in respect of all children under 16 years of age. In the case of Disabled Child Allowance, only the highest income of one of the parents is considered.

The Capital Resources Test for an Age Pension, for Social Assistance and for Medical Assistance provides that in the case of a single person, capital does not exceed € 14,000 while in the case of a household of two or more persons, capital does not exceed €23,300. It is pertinent to note that certain property is excluded for Capital assessment purposes. The house of residence, a private car, a garage for private use, and a summer residence are all excluded. Moreover, any immovable property, which is being put to profitable use, as for example property, which is rented to third parties, is not capitalised but only the income is taken.

Once the amount of capital resources of unused property is established, the first €582.50 are ignored. The balance remaining is converted to an annual income @ 5.5% per annum. Where the property does not belong to the Head of household or to his wife, but to other members, as for example children, only half of the value of the property is taken.

In the case of the income test, all income of the head of household and his wife is taken into consideration. In the case of other members of the household, working members are excluded and in those cases where wages, are taken these are taken net of the social security contribution and allowance is made for travelling expenses. Only 19.3% of the income arising from property belonging to other members of the household is taken. Once the total income of the household is established the first amount (equivalent to around €100) is ignored. The remaining balance is then compared with the applicable scale rates that are also being reproduced¹

It is pertinent to note that the means test has been modified over the years so as to provide for new exigencies, which from time to time become evident in a dynamic society. The means test may be said to be indicative of the degree of social justice that a particular piece of legislation implements.

2.2.2 *Benefit Schemes*

The different schemes applicable in Malta that can be grouped under the broad heading of 'Minimum Income Scheme' are summarised in Tables 1 and 2, respectively representing **Pensions** and other **Family** allowances

¹ Please refer to the Sixth to Eighth Schedules of the main Act.

Table 1: Pensions*(References to 'Schedules' refer to Schedules in the Social Security Act)*

Type	Payable to	Not/Means tested	Amount Per Annum	Provided indefinitely /Limited
Age Pension	Payable to citizens of Malta over 60 years of age. <u>N.B. A cost of Living Bonus of €0.70 per week is paid to persons in receipt of a National Minimum Pension at the married rate</u>	Persons who are not covered with NI contributions Capital & Income tests Capital means not exceed single € 14,000 & married €23,300. Claimant must first satisfy capital means. If amount not exceeded, the Income test must also be satisfied. Claimant must not exceed applicable rate sect 66 part IV second schedule	Highest rates: a) married couple where both qualify: €114.16 b) couple but only 1 qualifies: €71.42 c) Widowed/single: 89.03 +€1.16 p.w. if rent is paid for place of habitation	Indefinite
Pension for the Visually Impaired	Payable to a citizen of Malta over 14 years of age whose visual activity has been certified by an ophthalmologist to be so low so as to render such persons unable to perform any work for which eyesight is essential.	NOT capital tested but Income Tested Not exceeding basic minimum wage sect 27 part V second schedule	Highest rate: €83.86 per week +€1.16 p.w. if rent is paid for place of habitation	Indefinite
Pensions for Persons with Disability	Payable to citizens of Malta over 16 years of age. Various types of handicaps are listed under the Social Security Act.	NOT capital tested but Income Tested Not exceeding basic minimum wage sect 27 part V second schedule	Highest rate: €83.86 per week +€1.16 p.w. if rent is paid for place of habitation	Indefinite
Carers' Pension	Payable to single or widowed citizens of Malta who are taking care on a full-time basis of a bed-ridden or wheel-chair bound near relative	Capital & Income Tested Capital means not exceed single € 14,000 & married €23,300 Claimant must first satisfy Capital means. If amount not exceeded, the Income test must also be satisfied. Income must not exceed applicable rate sect 68 part iv second schedule	Highest rate: €88.21 per week +€1.16 p.w. if rent is paid for place of habitation	Indefinite

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Type	Payable to	Not/Means tested	Amount Per Annum	Provided indefinitely /Limited
Social Assistance	Payable to a) heads of households and who are either unemployed or seeking employment and where the relative financial means falls below that established by the Social Security Act. b) to single or widowed females who lack financial resources and who are caring for an elderly or physically/mentally disabled relative on a full-time basis.	Capital & Income Tested Capital means not exceed single € 14,000 & married €23,300 Claimant must first satisfy Capital means. If amount not exceeded, the Income test must also be satisfied.. Claimant must not exceed applicable rate, as per Sect 30 part II & VI of second schedule	a) 1 person: €84.95 p.w. b) Additional:€8.15 p.w. +€1.16 p.w. if rent is paid for place of habitation	As long as both Capital and Income Test are applicable
Emergency Assistance	Granted to a female who is or has been rendered destitute by the head of household to the extent that she becomes an inmate of any institute for the care and welfare of such persons. This benefit is payable by the Department of Welfare.	<u>This provision has never been used</u>		
Sickness Assistance	Payable to persons suffering from a chronic disease or condition that requires a special diet	Capital & Income Tested Capital means not exceed single € 14,000 & married €23,300 Claimant must first satisfy Capital means test. If amount not exceeded, the Income test must also be satisfied. Claimant must not exceed applicable rate <u>Means Test not exceed below rate:</u> One person: €21.66 per week Additional persons: €8.51 per week	a) 1 st Member of Family: €20.15 per week b) others: €15.02 p.w.	Indefinite
Tuberculosis Assistance	Payable to head of household or any member of the household suffering from or has, within the last 5 years, suffered from Tuberculosis.	NOT MEANS TESTED	a) to household if 1 person is affected: €22.94; b) each additional member: €12.70	Indefinite Payable till end of treatment
Leprosy Assistance	Payable to head of household or any member of the household who is receiving treatment for leprosy.	NOT MEANS TESTED	a)Head of household: €30.28 p.w. b) others under 16: 15.96 c) others over 16: 30.28 d)others not gainfully occupied: €15.96	Indefinite

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Type	Payable to	Not/Means tested	Amount Per Annum	Provided indefinitely /Limited
Milk Grant	has the care or custody of a child under 40 weeks of age requiring to:- (a) either be weaned or, (b) is losing weight in spite of being breast fed or, (c) is a member of a household receiving Tuberculosis Assistance.	Entitled only if in receipt of Social Assistance	€15.96 per week	40 weeks From birth of child
Free Medical Aid	Payable to a person who on account of disablement, sickness, or disease (and who is not hospitalised), is in need of medical, surgical or pharmaceutical aid.	<u>Means-tested</u> except in cases where the person is suffering from tuberculosis, leprosy, poliomyelitis or diabetes mellitus or other chronic diseases outlined in the Social Security Act <u>Means Test if person is not in insurable employment nor self-employed:</u> Maximum income: 1 person €27.37; additional persons: €8.15	As necessary	Indefinite

Table 2: Family Allowances & Maternity Benefits (Also 'Non-Contributory' Benefits)

Type	Payable to	Not/Means tested	Amount Per Annum	Provided indefinitely /Limited
Children's Allowance	Payable to locally residing females (citizens of Malta or married to citizens of Malta) ⁷ who have the care of children under 16 years of age,	Not Means tested:	€4.81 per week up to a maximum of €250 per annum for each child	Until children reach 16 years old
Special Allowance	Payable to locally residing females (citizens of Malta or married to a citizen of Malta) who have the care of a child who is 16 years of age or over and who is either still at school or registering for employment.	Means tested: household income does not exceed a stipulated amount (presently	Minimum €4.81 & max €7.41 Worked out as 2% of the difference between €23923 and €4658	
Disabled Child Allowance	Payable to locally residing citizens of Malta who have the effective custody of a child suffering from cerebral palsy or severe mental sub-normality or is severely disabled or have a child under 14 years of age who is visually impaired.	NOT MEANS TESTED	€16.31 per child per week	Indefinite

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Type	Payable to	Not/Means tested	Amount Per Annum	Provided indefinitely /Limited
Child in Care	Payable to recognised institutes for the care of children and to foster parents. The children are to be resident at a recognised institute and young persons or living with foster parents. <u>NB: A similar allowance of €23.29 per week is paid to residents of a therapeutic community</u>	NOT MEANS TESTED	€39.60 per child per week. Allowance will continue to be paid until 18years old if not gainfully occupied	Until children are 18 years old provided that they are not in gainful occupation
Maternity Benefit	Payable to local residing pregnant citizens of Malta.	NOT MEANS TESTED	Marriage Grant: €232.94; Weekly rate as Maternity Benefit: €63.48	For the last 8 weeks of pregnancy and the first 5 weeks after childbirth. Only payable if the female is not entitled to maternity leave from her employer, if employed.
Bonus(1) Payable in June & December	Payable to all persons receiving a pension, orphans' allowance, Social Assistance and Leprosy Assistance under the Social Security Act.	NOT MEANS TESTED	€135.10 In June & Dec	Indefinite
Bonus(2) Payable June & December	Payable to persons receiving a pension for services rendered in Malta, or ex-British Service pensioners, or persons over 75 years of age who receive a service pension from any other source, or persons who were born before the year 1902.	NOT MEANS TESTED	€216.22 €135.1+ €81.12 In June & Dec	Indefinite
Additional Bonus Payable in March & September		NOT MEANS TESTED	€81.12 In March & September	Indefinite
Supplementary Allowance	Payable to households where the total income of the members falls below the limits outlined by the Social Security Act from time to time	At present the income limit for this type of Allowance stands at €9926 for a married person and €7799 in the case of a single person	Married: €372.72; Single: €209.64	Indefinite
Energy Benefit	Payable to households who do not consume specific amounts	Depending on energy use	As per applicable scales	Indefinite

2.2.3 *Differentials*

Of the benefits listed above, persons under 60 years of age benefit from provisions in a different way from those open to persons over 60, as follows:

a) *Persons under 60 years old*

- Social Assistance;
- Children's Allowance;
- Supplementary Allowances;
- Energy benefit;
- Sickness Assistance;
- Free Medical Aid, covering free Medicines (commonly referred to as the 'Pink Form');
- Milk grant.

b) *Persons over 60 years old*

- Age pension;
- Supplementary Allowances;
- Energy Benefit;
- Sickness Assistance;
- Free Medical Aid, covering free Medicines (commonly referred to as the 'Pink Form').

2.3 **Expenditure and Beneficiaries**

As can be seen from the two tables that follow (Tables 3 and 4), respectively covering **Expenditure** and **Number of Beneficiaries** the burden on the Maltese public coffers of non-contributory schemes is substantial and issues of sustainability are very often brought up in public debate.

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Table 3: Amount Spent (in €)

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Age Pension	8011738	8065526	8378102	8657423	10532283	12057161	13137425	13534292	13378792	14401259	13584641	13717136	14604482	15881872	16993923	17577513	18012915
Pension for the Visually Impaired	Amounts paid in respect of Pensions for the Visually Impaired is included in the amount given for Age Pension for each respective year																
Pension for Persons with a Disability	3867693	3712161	4067041	4487825	5042838	5226964	5475777	5864053	6048557	6829559	6637259	7219841	7670038	8345920	8583946	8942260	9601456
Carers' Pension		489708	482389	529698	772500	984232	1087872				351052	443709			960135	899215	841039
Social Assistance	14846101	18221628	19330391	19355114	23550433	27496486	30967201	35265925	35988989	36625454	40099950	44151419	48391633	51292350	53014560	55138835	56270592
Emergency Assistance																	
Sickness Assistance	6091053	7061149	6929504	7481998	8663178	9816714	10637109	11844245	11840289	12037160	12126003	13287911	13485896	14484701	15144308	15734849	16053096
Tuberculosis Assistance	92615	89549	72766	68896	67882	70811	53383	43606	40276	42979					19807	11380	3841
Leprosy Assistance	134795	139334	125475	121780	124457	126067	137144	131244	120992	11631					109654	104160	98032
Milk Grant	13185	15739	16846	14644	25518	35896	39594	52994	43012	44918					51078	56074	76055
Free Medical Aid																	
Children's Allowance	33765498	33697902	36375913	36165165	42717146	47461145	46859727	44351005	42942643	36933606	36931644	34620606	33284227	31578476	31005988	29152920	40241871
Special Allowance																	
Disabled Child Allowance	221171	222065	239755	243282	210345	296861	401156	386340	393139	400925	389921	286376	199835	294708	400485	399917	624996
Child Raising Allowance	3043938	2565703	2336216	2002905	1011432												
Maternity Benefit	965960	866238	901528	1138009	1264402	1247703	1433947	1401220	1308032	1374385	1438449	1488115	1460213	1548269	1664000	1840609	2066441
TOTAL	71053746	75146701	79255926	80266739	93982414	104820039	110230336	112874923	112104721	108701877	111558918	115215112	119096324	123426295	127947884	129857732	143890334

Note: Blank cells indicate that the respective data is not available

MALTA

Table 4: Number of Beneficiaries

	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008
Age Pension	3798	4261	3833	3716	3920	4317	4346	4271	4068	3936	4224	4098	4409	4710	4818	4885	4883
Pension for the Visually Impaired	115	133	129	133	130	117	111	114	119	123	138	143	145	146	153	165	170
Pension for Persons with a Disability	1608	1682	1794	1830	1868	1804	1498	1821	1831	1860	1956	2047	2092	2139	2194	2237	2261
Carers' Pension	17	172	191	209	251	300	320	317	301	276	314	296	282	260	251	229	205
Social Assistance	7165	8107	7867	7353	8124	8880	9783	10408	10041	10254	14209	12768	16227	16756	16424	16532	16662
Emergency Assistance																	
Sickness Assistance	10470	11531	12149	12469	13156	13857	14175	14344	13611	13483	14467	14553	14520	14635	14631	14712	14332
Tuberculosis Assistance	92	108	98	91	88	76	59	40	38	41	46	33	25	23	24	20	9
Leprosy Assistance	94	98	92	88	87	85	84	79	72	69	70	68	64	61	57	57	50
Milk Grant	156	22	23	43	51	66	66	46	45	50	149	157	152	162	133	149	191
Free Medical Aid	5140	5756	5631	5292	4710	4867	4822	8636	6559	4892	8552	165	8013	7133	8035	8030	7502
Children's Allowance	52648	51672	51685	51535	47480	43477	42581	41570	40991	35814	37141	36481	37809	35905	34354	31951	28219
Special Allowance		1284	1046	1177													
Disabled Child Allowance	586	594	593	604	577	462	577	603	603	544	597	660	673	660	646	682	709
Child Raising Allowance	12035	10497	9418	7995	8036												
Maternity Benefit	5071	4759	4590	4458	4079	4013	3652	3424	3305	2958	3243	2839	2774	2671	2497	2629	2687
TOTAL	98995	100676	99139	96993	92557	82321	82074	85673	81584	74300	85106	74308	87185	85261	84217	82278	77880

Note: Blank cells indicate that the respective data is not available

3. Analysis

The Maltese system of Non-contributory benefits cannot be considered as a universally applicable Minimum Income Scheme in a narrow sense because it does not seek to ensure a minimum income for the individual citizen in a standardised and holistic way. As can be seen from the summary of the very complicated system given above, it is actually made up of a set of provisions that have developed over time, for different reasons and in response to different types of pressures or lobbying.

Some aspects of the available schemes are worth highlighting in some more detail.

3.1 Complexity

The schemes are very complex. Different types of illnesses give rise to different types of benefits. The computations of the means tests on which benefits are based are not simple at all.

A reading of the legislation itself leaves one perplexed because, as is the case with the schedule on Children's Allowances, sections were introduced to render other sections, which however remain part of the legislation, unnecessarily so.

What is direly required is a complete overhaul of existing legislation in which the various benefits are retailored to match the concept of Minimum Income Scheme as a holistic concept and not a maze of benefits addressed at different circumstances in life. Naturally this would have some disadvantages as well, because it could be argued that on the basis of the current legislation a scheme of benefits could be tailor-made to match the personalised requirements. But the advantages accruing from a simplified and integrated scheme would far outweigh any disadvantages that would result from a harmonised approach based on the concept of a Minimum Income approach. It appears that an interest to move in this direction exists.

3.2 Household not single-individual based

One of the fundamental aspects of current Maltese legislation is that most of the provisions are 'household' based, and not 'individual' based. The 'individual based' provisions cover only minor aspects, such as the provision in respect of blindness. This is understandable within the context of traditional Maltese society, in which the family was the most important nucleus of society and family ties were extremely strong. Social change is very fast changing this, and erstwhile strong family ties are fast becoming looser and looser. The situation at present implies that young persons who still live with their family of origin are in practice unable to claim benefits: on the one hand they are unable to receive the standard means-tested unemployment allowance because they are not a 'head of household' and, on the other, they cannot claim any contributory unemployment benefits since very often they would never have worked before and therefore cannot claim benefits on the basis of the contributions they would have paid.

The direct and indirect consequences of this are immediately obvious. In the first instance this situation tends to perpetuate an element of dependence which could in some instances go

beyond the solidarity element that every Maltese family seeks to implement as a matter of fact.

But having a scheme, or set of schemes, based on a household also covers up for inequalities within a family in only one area of public policy. It can be argued that, once in place, the same approach should also be applied to fiscal policies with the result that if a member of a family has a high income but is supporting another person within the same family who is unemployed, tax credits should be awarded to the high earner if commutative justice were to be truly implemented. Having a household based social security may in many instances be hiding, if not perpetuating, injustices.

3.3 Benefit Trap

One of the main difficulties often discussed in Malta is the 'benefit trap', as it applies especially in respect of unemployed persons. It is frequently claimed that as many as half of those claiming unemployment benefits are genuine cases, but the rest are at best doubtful. Unemployment benefits provide a stable income to vulnerable workers. About 80% of the unemployed are low-skilled and can aspire only to earn the minimum wage, and would feel that they are only able to undertake menial jobs. The difference between unemployment benefits and the minimum wage is only €11.65, and in the majority of cases, such persons find themselves in a better financial situation if they register as unemployed and engage in the black economy.

The same applies to young unemployed. To avoid being denied unemployment benefits, they claim that they are residing at a different address from that of their parents, thus qualifying of a 'head of household' status and thus able to reap the benefits applicable to unemployed persons. Employment advisors with the Employment and Training Corporation are reported to estimate that around 49% of the unemployed easily get caught in the benefit trap. In a seminar held by the ETC held for youth unemployed, only half of those invited attended and some of those who attended said that they felt comfortable living with their grandparents because they were being some of the pension money of the elderly persons they were living with was being passed over to them.²

3.4 Effectiveness

The effectiveness of the schemes in place in Malta have not been scientifically assessed, but a measure of their effectiveness can be obtained through the analysis of data available through the SILC studies. Even so, such data cannot be used to analyse fully the effectiveness of the schemes because of the way the data is available. Tables 5 to 7 below represent three scenarios. Table 5 represents the '*At-risk-of-poverty rate before social transfers including old-age and survivors' benefits by sex and age-group*'; Table 6 represents '*At-risk-of-poverty rate before social transfers other than old-age and survivors' benefits by sex and age-group*', whilst Table 7 represents '*At-risk-of-poverty rate after social transfers by sex and age-group*'. Unfortunately the way Table 7 is compiled includes payments received from contributory pensions schemes, and as such is not free from all the elements required for a proper assessment of non-contributory

² A.Abela & C. Tabone. 2008. *Family Poverty and Social Exclusion*. Malta. Kummissjoni Nazzjonali Familja. p. 61.

transfer payments. For a proper examination this element would need to be excluded.

Given these limitations however, it is immediately possible to note that transfer payments make an enormous difference in the lives of recipients, to the extent that the at-risk-of-poverty rate for the total population for 2007 decreases from 34.2 in Table 5 to 14.2 in Table 7. The respective decreases for 2005 and 2006 are:- 2005: 33.6 to 13.8; 2006: 33.2 to 13.8.

The decreases in these Tables appear very strong in respect of persons aged 65 and over (from 79.5 to 19.9 in 2007), but as indicated earlier these Table 7 includes payments made in terms of the contributory national pension schemes, which makes the data useless in this regard.

Table 5: At-risk-of-poverty rate before social transfers including old-age and survivors' benefits by sex and age-group

		2005			2006			2007		
		Males	Females	Total	Males	Females	Total	Males	Females	Total
age-group	0-17	29.5	30.1	29.8	29.8	29.9	29.9	32.7	28.8	30.8
	18-24	17.5	18.8	18.1	17.8	16.5	17.2	19.0	16.5	17.9
	25-49	20.5	22.6	21.5	20.0	23.3	21.6	21.3	23.4	22.3
	50-64	30.5	41.1	35.8	28.6	39.7	34.2	30.5	42.5	36.6
	65+	78.5	83.2	81.1	79.2	81.5	80.5	78.5	80.2	79.5
	Total	30.8	36.4	33.6	30.4	35.9	33.2	32.1	36.3	34.2

Table 6: At-risk-of-poverty rate before social transfers other than old-age and survivors' benefits by sex and age-group

		2005			2006			2007		
		Males	Females	Total	Males	Females	Total	Males	Females	Total
age-group	0-17	26.8	28.3	27.5	27.5	28.8	28.1	30.6	26.6	28.7
	18-24	14.3	13.2	13.8	13.5	14.5	14.0	14.0	13.7	13.8
	25-49	16.4	19.3	17.8	17.1	20.0	18.5	16.8	20.0	18.4
	50-64	17.1	19.9	18.5	17.8	22.1	20.0	19.5	25.9	22.7
	65+	22.0	21.9	22.0	25.3	24.7	25.0	25.4	20.2	22.5
	Total	19.3	21.2	20.2	20.1	22.4	21.2	21.0	22.0	21.5

Table 7. At-risk-of-poverty rate after social transfers by sex and age-group

		2005			2006			2007		
		Males	Females	Total	Males	Females	Total	Males	Females	Total
age-group	0-17	17.6	18.3	18.0	18.4	17.6	18.0	19.6	17.2	18.5
	18-24	8.0	7.0	7.5	6.6	7.8	7.2	7.9	8.3	8.1
	25-49	10.7	12.3	11.4	10.8	11.9	11.3	9.7	12.8	11.2
	50-64	11.6	13.4	12.5	11.4	14.3	12.9	12.1	16.8	14.5
	65+	20.2	19.8	20.0	21.6	19.3	20.3	23.1	17.3	19.9
	Total	13.3	14.4	13.8	13.4	14.3	13.8	13.7	14.8	14.2

Source for Tables 5 - 7: Malta. NSO. SILC 05 - 07

Discussions with stake holders in preparation for this report suggest that in view of current inflation rates (partly government induced through higher utility rates) and the widening gap between current salaries and pension rates, more persons are in danger of falling in the at-risk-of-poverty category. This particularly affects persons who claim pensions exclusively in terms of the Social Security Act, which are capped at rates which are close to the poverty line. Pensioned civil servants and uniformed personnel who were employed prior to 1979 are more fortunate because their pensions, known as Treasury Pensions, are not capped, and in effect receive for the rest of their lives, a pension equivalent to two-thirds of their salaries at the point in which they retire. Members of Parliament have an additional privilege in that while the pension paid to civil servants and uniformed officers is frozen until a pensioner's death, that of the Members of Parliament is revised every year and they are paid two-thirds of current salary/honoraria.

A comparative analysis of Tables 5 to 7 actually suggests that this shift towards more persons moving into that at-risk-of-poverty category could be true, even if the data is not solid enough to warrant any categorical statement in this respect. Because over the three years for which data is available, both Table 5 and Table 7 show increases in the rates over the three year period, except in respect of females for 2007 in Table 5 (before transfers). More research is necessary to establish whether this true or not, and it is hoped that data from the Household Budgetary Survey, which will very relevant since it addresses expenditure rather than income, as SILC does, will throw more light on this issue. ³

3.5 Lack of Research

What is however most direly needed in the area of social security in Malta is research. At present decision making is based practically on the social sensibilities of politicians and policy makers and not on hard data especially collected to assess what the situation is. The personnel directly responsible for the implementation of the various schemes do not have any idea on the extent of non take up of the various schemes. This is because coverage is provided to persons who apply for benefits and this does not necessarily include everybody. In effect, the current system could actually lead to a situation in which persons who are in dire need of support are not assisted because they are not even aware that they are entitled to support, whilst others who are more knowledgeable of the way the system works, optimise the available resources to their advantage, at times even to the extent that they make use of loopholes in the legislation.

The other side of the coin is the possibility that persons who are not truly entitled to receive benefits actually do so without being noticed. This could result in cases where changes in circumstances are not reported, when use of loopholes is made, and fiscal non-reporting exists. This last case is most present in respect of unemployment benefits when individuals continue to receive entitlements even though they are actively engaged in the black economy. Over the last few years systematic attempts have been made to address these issues, but the overall impression remains that abuse is not minimal. Fortunately efforts made through the Benefit Fraud and Investigation Directorate which was set up in 2006 resulted in an estimated €10 million in savings. 10,000 cases, representing 89% of the total number of social assistance beneficiaries in 2008 were investigated and the objective is to exceed 100%, that is, every social assistance

³ EUROSTAT data available on-line is problematic. Data generated from http://epp.eurostat.ec.europa.eu/portal/page/portal/employment_and_social_policy_indicators/omc_social_inclusion_and_social_protection/social_inclusion_strand (accessed 17 May 2009) in respect of 'At-risk-of-poverty rate' and 'At-risk-of-poverty rate before social transfers except pensions' appear to be inconsistent in that the same values are given for persons aged 65+ in both cases.

case will be reviewed at least once a year reviews by 2010.

The situation is exacerbated because of the uncertainty that surrounds the perception of the duty of abuse reporting in certain professions, especially in respect of social workers. Social workers in Malta are not many, but in many instances social workers who become aware of abuse feel it is unethically correct for them to report abuses. Clarification of this aspect of what constitutes 'professional correctness' in such cases is indeed necessary.

As such there is no reliable data either on the extent of take-up as a proportion of persons actually in need of support, and much less data on the real reasons why those who do not take up the entitlements do so. This is an important research gap which needs to be addressed either through department sponsored research, or through independent research. Irrespective of these gaps however, it can be stated that the schemes in place make a substantial contribution to assist at-risk-of-poverty households to affront their conditions and not be weighed down by the throes of absolute poverty

4. Employment and Training Programmes

4.1 Introduction

In order to reduce the need for services and use the potential of each citizen capable of productive activity, a specially created agency, the Employment and Training Corporation (ETC) is charged with the responsibility of training and of placing unemployed persons in profitable employment. The Corporation seeks to anticipate and respond to the changing economic and social environment. It operates on the belief that workers need the flexibility and the confidence to move from one workplace to another with ease and the ability to adapt to different situations. This enhances a person's security in a chosen employment as well as his/her employability. On the other hand, a trained workforce creates fewer problems for management and is a more motivated resource. ETC runs a number of schemes to reach its objectives, of which two are especially relevant in respect of minimum income schemes because they seek to remove unemployed persons out of dependence.⁴ These are the a) the Supported Employment Scheme and b) the Employment Aid Programme

4.2 The Supported Employment Section

ETC's Supported Employment Section supports and targets disadvantaged groups to enhance their capabilities to integrate into labour market. The Section assists these client groups by providing counselling and placement services together with referrals to adequate training.

Bridging the Gap Scheme

Bridging the Gap is designed to support a client in the transition period from unemployment to employment. It allows the employer to evaluate the performance of the client in the workplace, prior to proper engagement. This scheme offers the client a period of work exposure with an employer to enable him/her to demonstrate the skills needed for a particular job. The employer and ETC enter into an agreement regarding the work exposure period, whereby a client is placed on the scheme with the prospect of employment. The client is considered as an unemployed registrant without the obligation to turn up for his/her weekly signing-up. The following can benefit from this scheme:

- Registered Disabled Persons who are registering as unemployed;
- Former substance abusers;
- Former offenders;
- Correctional Facility inmates on leave;
- Other vulnerable groups.

The scheme benefits both client and employer. The benefits of this scheme are that the client gains workplace skills required by employers; the Client will have access to employment

⁴ The Training Aid Framework (TAF) is ETC's most important contribution to training because it constitutes a unique opportunity for local companies to invest in their human resources. Through the Training Aid Framework, ETC provides financial assistance to those companies that invest in the training of their workforce. But this scheme applies to persons who are already employed, and as such is not directly related to Minimum Income Scheme issues.

opportunities and the Client will receive a weekly allowance of 80% of the current national minimum wage from ETC while renouncing the rights to any Social Security benefits throughout the work exposure phase. On the other hand, the benefits for the employer using the scheme are that it is the Employer who interviews and selects the client; it is possible for the Employer to evaluate the progress of the client; the Employer is free from obligations such as National Insurance contributions, wages and sick leave benefits and, finally, that the Employer will have the support of the ETC officials throughout the work phase.

4.3 Employment Aid Programme (EAP)

Through this programme, ETC provides financial assistance to those employers who opt to employ these persons. The financial assistance is in the form of a generous subsidy in the salary of these individuals, as well as in the employer's contribution to the employee's National Insurance. This subsidy is given for a number of months, and in the case of companies which employ persons with disability it is given for three whole years. In the case of workers who work in Gozo, the sister island, the subsidy will be for more months. The Employment and Training Corporation accepts applications to fill vacancies through this programme from any employer or company that fits the employers' eligibility criteria.

The objectives of this programme are to facilitate the integration of disadvantaged and disabled persons in the labour market. It therefore seeks to enhance the employability and productivity of persons with low employment rates; to facilitate access to employment and upgrade the skills of those furthest away from the labour market; and to contribute to an increase the country's labour supply and achieve greater social cohesion. This particular scheme is in line with Commission Regulation (EC) No. 800/2008 of the 6th August 2008 on the application of Articles 87 and 88 of the EC Treaty to State aid for employment and published in the Official Journal of the European Communities on the 9th August 2008. The Employment Aid Programme is co-financed by the European Social Fund, the Maltese Government and Employer.

The target groups of this programme are:

- Any person who is under 25 and is within two years after completing full-time education and who has not previously obtained his or her first regular paid employment. (By first regular paid employment, ETC is taking at least six full-time months of employment). Duration: 26 weeks;
- Any person who wishes to enter or to re-enter working life and who has been absent both from work and from education for at least two years- particularly any person who gave up work on account of the difficulty of reconciling his or her working life and family life. Duration: 26 weeks;
- Any person living as a single adult looking after dependants. Duration: 39 weeks;
- Any person who has not attained upper secondary level qualifications or equivalent (ISCED Level 3), who has been made redundant in the past six months or has been served with a redundancy notice of termination of employment. Duration: 26 weeks;
- Any person older than 50 who does not have a job or who is losing his or her job i.e.: has been served with a redundancy notice of termination of employment. Duration: 26 weeks;

- Any long-term, registered unemployed person, i.e. any person who has been unemployed for twelve of the previous 16 months, or six of the previous eight months in the case of persons under: 25. Duration: 26 weeks.

Any person who is a registered disabled person and who has a recognised, serious, physical, mental or psychological impairment Duration: 156 weeks.

5. Conclusions

In summary it can be stated that in Malta there is no specifically designed Minimum Income Scheme addressed at individuals. However, over the years a whole package of social security measures have accrued, mostly as a result of pressure and lobbying from various interest groups. Social security started many years ago in Malta, and the way it has developed calls for integration and rationalisation to avoid the current fragmentation and complexity in administration.

One element which is direly missing in the Maltese context is the availability of research to support social security as a whole. There exist no systematic and longitudinal studies that assess needs, especially in respect of the single individual. Aid is directed at the household in general, and a single individual might find him/herself in serious difficulties if members of the same household are doing well, thus creating a string of dependence within the household. On the other hand, there are frequent allegations, especially by beneficiaries themselves who are not qualified to aspire to well-paying jobs, that it is preferable to lock oneself in social security rather than seek profitable employment. The way the benefit trap is operating in Malta needs very serious and urgent considerations and, when the data is scientifically collected, remedial action is indicated.

SILC data does indicated however that the shemes in place have an enormous effect in reducing the at-risk-of-poverty rates for the population. Unfortunately however, available SILC data includes payments of pensions arising from obligatory contributions for national pensions, and as such cannot give a precise picture of the reality in respect of personioners. Stakeholders suggest that the at-risk-of-poverty rates are likely to increase in view of current inflation rates and the widening gap between salaries and pensions. SILC data hints at this but does not provide definitive proof.

The Employment and Training Corporation (ETC) provides a number of schemes that seek to move persons out of social security, in addition to other services available for the training of persons already in employment. But even here, the link between social security and training is tenuous and it is high time that databases are integrated to ensure that targeting is more specific.