



# **Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes**

Country Fiche – Malta

Written by Mario Vassallo  
February 2022



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# **Exploratory study: filling in the knowledge gaps and identifying strengths and challenges in the effectiveness of the EU Member States' minimum income schemes**

Country Fiche – Malta

Directorate-General for Employment, Social Affairs and Inclusion

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## Summary

Malta does not have a Minimum Income scheme with this name. It has, however, two schemes, respectively known as *Għajjnuna Soċjali* (Social Assistance: SA) and *Għajjnuna għall-Dsiżimpjieg* (Unemployment Assistance: UA), which can, for practical purposes, be considered to fulfil the same function. Both these schemes are entrenched in the Maltese social security system and fall under the Social Security Act (Cap. 318). They are administered centrally by the Department of Social Security and Income Support and Compliance Division, which belongs to the Ministry of Social Justice and Solidarity, the Family and Children's Rights.

SA is primarily payable to heads of households, who are not able to work, such as for medical reasons, and where the relative financial means fall below the level established by the Social Security Act. It is also payable to people separated who have custody of children and to single or widowed parents who lack financial resources. UA is payable to people who are registered as unemployed and who have exhausted their Unemployment Benefits which are payable under the contributory benefits scheme. Although both SA and UA are paid to the head of household, additional, though reduced, allowances are payable also to other members of the same household. Both SA and UA are subject to a means test.

SA and UA seek to provide the minimum amount possible for a person to be able to live, which is not the same as what a person requires to live adequately. In fact, both SA and UA have been often criticised by NGOs like Caritas who insist that people who depend on them do not have enough to live decently, particularly in a context of constantly increasing living costs. SA's adequacy has been questioned despite the fact that beneficiaries of both SA and UA can still benefit from additional benefits, such as a Child Supplement, a Supplementary Allowance, rent allowance, and free dental care. Children's Allowances and a free medical service are universal rights in Malta and not part of a Minimum Income scheme, narrowly defined.

In Malta, up to 2015, many preferred to stay on SA rather than go to work because the difference with the statutory minimum wage was not attractive enough.<sup>1</sup> A number of labour adequacy measures were then introduced with two main objectives a) to wean persons on SA or UA to take up gainful employment and b) to entice more females to join the workforce. This was achieved primarily through a system of tapering of SA/UA benefits and through a system of free childcare. The amounts spent on SA/UA have dropped dramatically since these measures were introduced.

Through the Foundation for Social Work Services (FSWS), Malta runs a programme, named LEAP, which seeks to empower people to take control of their own lives and move out of poverty. Its success has been noted, but except for some exceptions described in Section 3, activities are mainly based on a drop-in system.

The extent to which the at-risk-of-poverty (AROP) rate and more especially the material deprivation rate have been reduced in Malta as a result of SA and UA is not easy to measure with precision because of a lack of disaggregated data. However, the fact that social spending on these rates has decreased following the labour activation measures, and the concomitant reduction in the number of both SA and UA beneficiaries, are clearly visible in a comparison with the figures provided in SILC<sup>2</sup>. In reality, Malta's AROP was on the increase for both men and women both before and

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<sup>1</sup> It is practically impossible to find written evidence of this. But the Director General of the Department of Social Security had this to say in a personal, written communication with the writer: 'The actual rate of UA/SA together with the additional benefits, the difference between these benefits and the net National Minimum Wage, did not make it attractive for unemployed persons to seek employment.' This fact was addressed through the Tapering of Benefits scheme which made it more attractive for persons to seek employment.

<sup>2</sup> A direct comparison of SILC data in SILC ilc\_li02 (after social transfers) and ilc\_li10 (before social transfers) clearly shows the effect of transfer payments, of which SA and UA are a major but not the only component on ARP. This comparison for the years 2011 to 2020 is presented in Table 4 below.

after transfers (excluding pensions) between 2011 and 2020. Only a slight reduction is actually noted for males (and therefore reflected in the figures for the total population) in 2020. What is also worrying is that the impact of social transfers on the AROP after transfers declined (from 6.4 and 8.1 percentage points for men and women respectively in 2017 to a mere 4.1 and 4.9 percentage points in 2020). This effectively means that the effect of social transfers on the risk of poverty has diminished in Malta.

Gaps exist in the data on the specific effectiveness of SA and UA on the social fabric. Through a number of initiatives, it is hoped that this gap will be filled and that adequate research facilities and data will eventually provide policy makers with more efficient measures whereby the effectiveness of both schemes could be better assessed, and which would also contribute to increasing the adequacy and reach of both SA and UA, both directly and through improvements in other social transfers.

The following sections, first, outline the features of the MI support in place; secondly, describe the eligibility criteria and coverage and consider the adequacy of the financial support provided and the links with other benefits; thirdly, examine the extent of integration with labour market measures to help those supported into employment; fourthly, consider the access provided for the people concerned to social services; fifthly, summarise the governance mechanisms in place; and, finally, review the evidence on the impact on reducing poverty and assisting beneficiaries to find work.

An annex outlines the underlying situation in terms of the relative number of people at risk of poverty or social exclusion and the changes that have occurred over recent years, as well as the characteristics of the people concerned – their gender, age, employment status, education level, country of birth and the structure of the households in which they live. As such, it provides the context in which MI support is operating and indicates the groups on which support needs to be targeted.

## **1 Description of national schemes providing minimum income support**

Malta does not have a Minimum Income Scheme that is specifically known by this name, but it has two separate schemes, closely linked with each other, that practically serve for the same purpose. These are:

- Social Assistance (SA) (*Għajjnuna Soċjali*); and
- Unemployment Assistance (UA) (*Għajjnuna għal-Diżimpjeg*)

In law<sup>3</sup>, a key concept in the provision of SA in Malta is that of 'head of household'. A head of household is the person who is considered to be the 'senior' member<sup>4</sup> of a group of persons living together as a family by the Director of Social Security, even if that family is composed of only one person, as long as the household is an independent unit. In respect of 'sickness benefits' the Act provides for two exceptions when 'two households can exist under the same roof'.

SA: Social assistance is payable to heads of households, who are unfit for work for medical reasons, and where the relative financial means fall below the level established by the Social Security Act. SA is also payable to people who are separated and have custody of children and to single or widowed parents who lack financial resources. SA is subject to a means test. There is no choice of which assistance to claim as SA is paid to people who are unfit for work for medical reasons while UA is paid to those registered as unemployed with Jobsplus

UA: Unemployment Assistance is payable when a person is no longer eligible for *unemployment benefit* (UB, which is linked to weekly social security contributions). UB is considered a short-term benefit (lasting for 156 days as a maximum), but someone unemployed may qualify for longer-term benefits under UA. In cases where the beneficiary is not entitled to UB, they are paid the UA in full. UA is therefore received by someone unemployed not qualifying for UB, subject to passing a capital resources test and an income test. The claimant must be registered for work under the Part 1 of the Unemployment Register. It is worth noting that, while benefitting from Unemployment Benefit, a person can also benefit from the Special Unemployment Benefit if that person satisfies the relative Unemployment Assistance means tests.

## 1.1 Eligibility

**SA Eligibility:** To be eligible for benefit a person must be the head of a household who is legally resident in Malta and be able to satisfy means test on the income and assets of the household. The applicant must not be in employment and cannot register for work under Part 1 of the Unemployment Register. If a person decides to register with JobsPlus in search of a job (something which they can decide to do), SA is replaced by UA.

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<sup>3</sup>In section 2 (1), of the Social Security Act, CAP. 318 the precise definitions of the term head of household is given as follows:

"head of household" in relation to a household consisting of two or more persons means such person as is in the opinion of the Director the head of household;

"household" means one person who in the opinion of the Director is living alone or two or more persons who in the opinion of the Director are living together as a family:

Provided that –

(a) for the purposes of Sickness Assistance claimed in respect of a person who is over the age of sixty years, together with his wife or husband, if any, as the case may be, and children and none of whom is in insurable employment or self-occupied; and

(b) for the purposes of Sickness Assistance in respect of chronic schizophrenia in respect of any member of the household who is not the head of household or his wife, if any,

such persons or such couples shall, if it is to their advantage, be considered as forming a household of their own:

Provided further that for the purposes of a Free Medical Aid awarded under this Act, the Director may, if he feels that the circumstances of the household so require, exclude from the composition of the household any person or persons who would otherwise form part of it.

Accessed at [https://deputyprimeminister.gov.mt/en/pharmaceutical/Documents/cap\\_318.pdf](https://deputyprimeminister.gov.mt/en/pharmaceutical/Documents/cap_318.pdf)

<sup>4</sup> In the case of couples, at the application stage they can freely decide who is to be considered as the head of household for assistance purposes.



In cases of substance abuse or other addictions, the person needs also to attend a rehabilitation programme in order to receive another type of benefit, known as the 'Drug Addict Assistance'.

The medical condition of persons who are incapable for work is reviewed periodically.

Failure to comply with these conditions may result in the total loss of the benefits.

For the purpose of the means test, income is defined in gross terms i.e. before deducting tax. The duration of SA is unlimited as long as the stipulated conditions are satisfied. The situation is reviewed once a year to verify that the correct rate of benefit is being granted. The amount of assistance is not reduced if children are in employment. The number of previous payments of the same benefit does not affect the duration of the payment and any intervals in between reviews.

The applicant must satisfy the capital means test as follows: for a couple it must not exceed €23,300 and €14,000 for a single person. Any income deriving from rents; bank interests, income from capital, stocks and shares; alimony and any other income derived must not exceed the maximum Social Assistance rate per household. When calculating the income of people receiving child maintenance (generally in cases of separation or divorce as a result of court decisions) only a small percentage (equivalent to 0.157%) of the child maintenance received is included as income for the purpose of this test. These thresholds were established many years ago, the precise date is unknown. The capital means test was reviewed last in 2003. These decisions are political decisions taken by the Cabinet of Ministers at national level and are not officially linked to any specific mechanism or criteria.

The following properties are excluded from the Capital Resources Test:

- the house of residence;
- the first private car;
- a garage for private use;
- a summer residence.

The market value of immovable property, which is being put to profitable use, as for example property which is rented to third parties, is not subject to the capital test; only the rental income from it is considered.

The total market value of any moveable assets is taken into account, except as indicated above.

As from 2022 any inheritance with a value of €14K to 30K in respect of individuals and €23K to 50K in respect of a couple will also not be taken into consideration.

Claimants are not obliged to sell their belongings but if their total means exceed the prescribed threshold, benefit is not payable.

Apart from satisfying the Capital Resources Test, a Weekly Means Test is also carried out. The derived income of all the household is added together and the resulting balance is divided by 52 (weeks) and deducted from the maximum weekly applicable rate. If the derived income is 0, the maximum rate is paid, if the income is more, only the difference between the actual income and the maximum rate is paid. If the income exceeds the maximum rate, there is no entitlement to the benefit.

The awarded benefit is equal to the difference between the applicable social assistance rate (which in turn depends on the household composition) and assessed income. SA is paid up to the age of 60 years, at which point a non-contributory Age Pension is awarded.

However, if a person receiving SA starts working, the benefits are tapered and not completely stopped immediately, but are continued to be paid in a tapered manner: 65% of the rate for the first year, 45% of the rate for the second year and 25% of the

rate for the third year. The employer is also paid 25% of the rate for the period of 3 years.

The officials in the Department of Social Security take into consideration available data (EU-SILC, the Labour Force Survey) and independent studies, such as those undertaken by Caritas Malta (Caritas 2011, 2016 and 2020), when they make recommendations for changes in the benefit system. However, beneficiaries, and at times NGOs, often claim that entitlements need to be further improved. Caritas Malta proposes as many as 25 very specific recommendations to this effect: of these 21 are 'policy recommendations', whilst the remaining 4 are 'research recommendations'.<sup>5</sup>

**UA eligibility** is identical to SA: the Means test is equally applicable. However, if a person receiving UA for at least one year, starts working, the benefits are tapered and not completely stopped immediately, but are continued to be paid in a tapered manner: 65% of the rate for the first year, 45% of the rate for the second year and 25% of the rate for the third year. The employer is also paid 25% of the rate for the period of 3 years.

Like SA, UA is indirectly linked to EU-SILC, the Labour Force Survey and independent studies such as those undertaken by Caritas Malta. The same concerns referred to in respect of SA apply to UA. UA is payable up to the date a person is registered as unemployed but not over the age of 60 when a non-contributory Age Pension becomes payable. The house of residence is not taken into consideration.

## **1.2 Coverage**

The Methodology for setting the level of benefit is not systemic, in the sense that it is not based on a system-embedded framework that is uniformly used to identify gaps and update benefits. Classification of Functions of Government (COFOG) and the European System of integrated Social Protection Statistics (ESSPROS) data are very important tools as is the annual EU-SILC database. Officials in the Department of Social Security use these as the basis for their recommendations for changes in the benefit system. It is to be noted that since 2014 Making Work Pay Policies were introduced and the system modified to implement these policies.

Despite this lack of a system-based framework, a number of indirect sources are used to inform policy makers to make recommendations for change in benefit levels, which are normally introduced on the occasion of the annual Budget. Among these one finds the following sources/initiatives that are important for policy development and change. These are listed here but more information is provided in section 3 below:

- The regular revisions of Malta's anti-poverty strategy;
- Occasional research papers on different social policy issues published by the Central Bank of Malta;
- Malta's participation in the Tax-benefit microsimulation model for the European Union (EUROMOD)<sup>6</sup>;

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<sup>5</sup> The three studies respectively published by Caritas in 2011, 2016 and 2020 are known to have effectively influences improvements, despite the fact that there is no specific and official link or obligation on the part of government to follow up their conclusions or recommendations. These recommendations are summarized in the 2020 Executive Summary of the Caritas study, available at <https://www.caritasmalta.org/wp-content/uploads/2021/02/Caritas-MEBDL.pdf>, p. 10 et seq.

<sup>6</sup> The Economic Policy Department has partnered the EUROMOD project since its early days. EUROMOD is a tax-benefit microsimulation model maintained by Joint Research Centre (JRC) for the European Union that enables researchers and policy analysts to calculate, in a comparable manner, the effects of taxes and benefits on household incomes and work incentives for the population of each country and for the EU as a whole. EUROMOD is used for internal technical assessments. Among other things, EUROMOD provides the estimation of the redistributive effects of actual, previous or future tax-benefit policies; policy swapping analysis; estimating budgetary effects of policy changes; tax-benefit design; estimation of work incentives and labour supply effects of policies and stress tests of a tax-benefit system. EUROMOD's specially designed purpose tools and extensions, and especially the *Hypothetical Household Tool (HHoT)* (the plugin for

- Actions envisaged as part of Malta's Recovery and Resilience Plan; and
- The request to the World Bank to provide technical assistance towards the rebalancing of the Social Safety Net programmes

Disaggregated data in terms of the different poverty levels (those at risk of poverty, those at risk of severe poverty, and data by income deciles) on take-up is not available for Malta, but through the capillary system of the Department of Social Security (DSS) and its network of area offices spread all over Malta, persons who are entitled have very easy access to advice and guidance on how to access benefits. Access has also been greatly facilitated since the introduction of *servizz.gov* system. *Servizz.gov* is the agency that brings all government services together and acts as a bridge between the Public Service of Malta and the general public, making government services more accessible. *Servizz.gov* can be accessed through a freephone. It provides instant responses on any area of the public service. Follow-up is provided by public officials from *servizz.gov* when further investigation of individual cases is required. Given the knowledge Maltese people have of the benefits available, and the easy access to them, it can be assumed that uptake is universal. (I.e all or nearly all people who qualify benefits claim them). Senior social security officials state that in their experience, beneficiaries in Malta at times know the rules and regulations covering benefits as much, if not more, than the staff responsible for their administration.

### **1.3 Adequacy**

According to the Social Security Act (*Att dwar is-Sigurta' Soċjali*) (Cap. 318), the minimum level of income in the form of SA is calculated as the difference between the weekly household income (total income for both adults and children accruing, for example, from investments, bank interests or rents) and the maximum rate payable, which is €109.43 per week in 2021 for the first adult and a further €8.15 per week for each additional and eligible member of the household. The benefit entitlement is effectively equivalent to 60% of the national minimum wage. The benefit varies according to the means of the household and the number of adults and dependent children in the household. The following examples of the *maximum* amounts payable illustrate this:

- Couple with 2 children: €133.88 per week
- Single person with no dependants: €109.43 per week

In addition, both SA and UA beneficiaries receive a Government Bonus of €135.10 in June and December. This bonus is also paid to all those employed in Malta. An additional bonus of €3.12 per week is also granted. Both these bonuses constitute fixed amounts paid to a household, irrespective of the composition of the household.

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designing hypothetical households and generating data according to the chosen household characteristics, and the estimation of the effects of taxes and benefits on household disposable income), and the *Policy Effects Tool (PET)* (through which one can estimate the first-order effects of policies on household incomes) are very useful. The results from the use of these specialised models are not published.

Malta's EUROMOD Country Reports covering tax-benefit systems since 2007 constitute a very useful source for evaluative exercise conducted on the effects of social spending, among others<sup>6</sup>. The results derived from EUROMOD are published on a regular basis in the Annual Country Report and the National Reform Programme (NRP). The NRP includes the distributional impact of various policy reform announced in the latest budget. The latest published NRP which includes a section on EUROMOD is that of 2020, however, we are currently working on the 2022 NRP which will be published in April. EUROMOD was also used to analyse the impact of the wage supplement scheme, on household disposable income in 2020, and the results were published in the Draft Budgetary Plan of 2021.

Further details can be found at <https://euromod-web.jrc.ec.europa.eu/>

As from 2022, the weekly allowance for the first adult has been revised up to €111.18 [ $€109.43 + 1.75 = €111.18$ ]. The €1.75 corresponds to the cost-of-living adjustment (COLA) given for 2022.

No other assets than those listed above are excluded from the means-test.

In calculating the means of applicants for social security, income is defined in gross terms i.e. before deducting tax and social security. It is calculated on the basis of the last average weekly income. As already explained at the beginning of this report, in terms of the Act, a] 'household' is defined as one person living alone or two or more people living together as a family. Administratively, the head is normally considered to be the oldest member of the household.

All SA and UA beneficiaries are also entitled either to the Supplementary Allowance or to the Children's Allowance and also to the Energy Benefit. In some cases, other specific benefits (such as a 'rent benefit') are payable.

The duration of the benefit is unlimited as long as the stipulated conditions are satisfied. The situation is reviewed once a year to verify that the correct rate of benefit is being granted. The amount of assistance is not reduced over time. The number of previous payments of the same benefit does not affect the duration of the payment and any intervals in between reviews.

These benefits are adjusted annually by Government through the annual budget and are linked to the minimum wage. Up to 2021, these have been regularly *increased* annually by two-thirds of the full Cost of Living Increase, worked out on a mechanism agreed with the social partners and known as COLA. As from 2022, the full Cost of Living Increase will be given, rather than two-thirds of the calculated rate.

A strong point of this system is that eligibility is fixed and available to all those who qualify. Indexation according to COLA is also a form of insurance that the value of the benefits does not decrease with inflation.

A negative aspect of the system is that it is often claimed by beneficiaries and some NGOs that these benefits are not adequate. The three Caritas studies on minimum budgets for a decent living (2011<sup>7</sup>, 2016 and 2020), referred to above, systematically included a number of recommendations and the main thrust of these studies has been implemented. It is also important to note that the COLA mechanism, even if fair, has an in-built lag of one year and therefore does not really reflect the 'current' cost of living. Through various means, the government is currently undertaking studies to ensure that welfare safety net is truly adequate. What is true for SA applies for UA as the rates are identical.

#### **1.4 Links with other benefits**

Special circumstances that entitle the general population for special benefits, such as the special 'birth bonus' awarded to a mother on giving birth, are also available to SA beneficiaries if they are entitled on the same basis, as members of the rest of the population are.

The following additional benefits also apply:

1. in cases where a SA beneficiary is living in a rented property, a Rent Allowance of €1.16 per week is added to the Social Assistance applicable rate. The Rent allowance is at a fixed rate of €1.16 per week and not linked to the actual rent being paid by beneficiaries;
2. In Malta, tertiary level students attending the University (UM), the Malta College of Arts, Science & Technology (MCAST) or the Institute for Tourism Studies (ITS) are awarded a state stipend. SA/UA beneficiaries who are over 23

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<sup>7</sup> The full references to these studies is provided in the References section of this report. The 2011 study is not available on line and does not feature in the Reference section.

- years of age and who enter University or MCAST continue to receive the same assistance as long as their stipend and any other ancillary benefits received do not exceed the difference between the SA and the National Minimum Wage. In cases where their total income (i.e. stipends plus SA/UB and any other benefits) exceeds the National Minimum Wage, only the amount exceeding the National Minimum Wage is deducted from the SA/UA. In this way, their maximum income (i.e. made up of the total of stipends, any other ancillary benefits and SA/UA) would be equivalent to the National Minimum Wage;
3. Children's Allowance (€24.08 per week per child) is also payable to UA/SA beneficiaries if children are still under the age of 16 and are still living in the same household;
  4. Supplementary Allowance are also payable to those who are not in receipt of Children's Allowance. As already indicated above, all households in receipt of SA/UA also benefit from the Energy Benefit scheme.
  5. In addition to these financial benefits, some elements of medical assistance, which are not provided under the National Health Service, are also available to the beneficiaries if required. These include: free dental treatment, free spectacles and free hearing aids.

## **2 Links with labour market activation**

In respect of SA, the applicant must not be in employment and cannot register for work under Part 1 of the Unemployment Register. If a person decides to register for work, the SA is automatically changed to UA. The lack of ability to work must be due to one of the following reasons:

- a) medical reasons;
- b) the need to undertake care and custody of children, and is legally or de facto separated; or
- c) be married, in a civil union, cohabiting or caring for the spouse who may be critically ill. In this case the application is subject to approval by a Medical Board, appointed in accordance with the Social Security Act (Cap. 318).

In the case of UA, the conditions are different. A person who is benefiting from UA must be actively looking for work and as such be registered with JobsPlus, the public employment agency. Such a person must participate in activation measures, such as training or job experience programmes, and not refuse job offers without an acceptable reason. In cases where medical conditions preclude a person receiving UA from working, the medical condition is periodically reviewed by a medical board. In cases where the individual is involved in substance abuse or other addictions, they need to attend a rehabilitation programme in order to receive the benefit. Failure to comply with these conditions may result in the total loss of benefit.

As already indicated above, in order to wean persons off inactivity and social benefits and provide them with greater security in employment, the *Tapering of Benefits Scheme* was introduced in 2014. Basically, the scheme provides for a system whereby beneficiaries drawing SA or UA are allowed to retain part of their social benefits over a three-year period. Tapering is applied to a person who is engaged in full-time employment, starts earning not less than the National Minimum Wage and would have been in receipt of a non-contributory benefit for a period of one year in the preceding three years. In these cases, the applicable benefit rates are as follows:

- 65% of the benefit rate for the first year
- 45% of the benefit rate for the second year
- 25% of the benefit rate for the third year.

In addition, 25% of the benefit rate paid is also paid to the employer for a period of 3 years.

Take-up of the scheme gradually peaked to 3,600 in 2017 and markedly, over 80% of the participants remained in employment at the end of the 3-year period of the scheme. Around 70% of participants were females<sup>8</sup>.

The Tapering of Work Benefits scheme was part of a wider programme, labelled 'Making Work Pay'. In addition to the tapering system, this programme also comprises the In-Work Benefit scheme and free childcare for parents in employment and education. However, those enjoying the benefits of the Tapering of Work Benefits scheme are not entitled to the In-Work Benefit scheme.

Strictly speaking, the In-Work Benefit (IWB) scheme is not part of any minimum income scheme. However, as a labour activation initiative, it was conceived and tailored to boost the disposable income of dual-earner families and single parents in employment who have dependent children up to 23 years of age, and particularly those earning the minimum wage. For this reason, officials at the Ministry claim that the IWB can be considered as being part and parcel of the Minimum Income Scheme in Malta.<sup>9</sup> After its launch in 2014, the scheme was extended to one-earner families with lower rates than those of dual-earners to incentivize the second parent to work and attain a higher benefit rate. NSO reports that the number of beneficiaries during the period January-September 2021 had increased to 6,124, as compared to the same period during 2019, when the number of beneficiaries was 4,625. For the period January-September, total expenditure rose from €3,136,000 in 2019 to €4,594,000 in 2021<sup>10</sup>

To underpin these schemes a free childcare service was also rolled out to facilitate the entry or retention of women in the labour market. The Free Childcare Scheme is a system whereby Government provides free childcare services to parents/guardians who work or are pursuing their education (not just UA beneficiaries). The childcare service is either provided directly through government services or alternatively through Registered Childcare Centres. The service was well received by families with children under 3, as underlined by official figures indicating that from the launch of the service in 2014 the number of children placed in these centres doubled to 6,700<sup>11</sup>.

These social activation measures contributed towards cutting down the number of unemployed, primarily females, to record low levels because on taking up employment, previous SA beneficiaries started to benefit from (a) the tapering of benefits programme and (b) free childcare facilities. They did not become SA beneficiaries after the 3 year period but stayed on in full time-employment, This resulted in a steady increase in the female labour market participation, thus also addressing the gender employment gap.

The success of the package is mirrored by the significant drop in benefit dependency and decrease in the disincentive to work. In 2008, it was reported that

*'45.0% of the 495 females applying for Social Assistance (SA) and Single Unmarried Parents (SUP) benefits were actively employed on the day of application for benefits.*

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<sup>8</sup> Anon. (14 June 2021). 'How Malta achieved a paradigm shift in benefit dependency'. *The Journal.mt*. <https://thejournal.mt/how-malta-achieved-a-paradigm-shift-in-benefit-dependency/>

<sup>9</sup> According to a statement made by Mr George Cremona, Director (Benefits Compliance). Ministry for the Family, Children's Rights and Social Solidarity, made on 14 March 2022, states: *'It is important to note that the In Work Benefit Scheme is helping in keeping previous social/unemployment assistance beneficiaries in an employment environment following the termination of the three-year period of the Tapering of Benefits payments. Hence, the IWB can be considered as being part and parcel of the Minimum Income Scheme practiced by MT'*

<sup>10</sup> NSO News Release 196/2021 (27 October 2021). 'Government Expenditure on Social Security Benefits: January – September 2021'. Accessed from: [https://nso.gov.mt/en/News\\_Releases/Documents/2021/10/News2021\\_196.pdf](https://nso.gov.mt/en/News_Releases/Documents/2021/10/News2021_196.pdf)

<sup>11</sup> For more information on the Child Care service, please consult the information sheet available at: <https://education.gov.mt/en/Documents/Childcare-Leaflet-2015-EN.pdf>



After 18 months, only 12.5 per cent remained actively employed...the share of SA and SUP beneficiaries aged 24 who were in employment before becoming eligible to benefits was at around 88.7 per cent. After becoming eligible to benefits, this number dropped to circa 13.4 per cent. This is a clear example highlighting the disincentives within the current benefits structure<sup>12</sup>.

As can be seen from Table 1, people on SA decreased from 9,241 in 2013 to just under 4,600 at the end of 2020; and UA beneficiaries went down from 6,119 in 2013 to just over 1,100 in 2020, a decrease of over 5,000. This effectively means that in 2020, the number of people on SA was only 50% of what it had been in 2013, whilst the number on UA was only 18% in 2020 of what it had been in 2013.

Table 1. Malta: Social Assistance & Unemployment Assistance Beneficiaries 2015-2020

|               | 2013  | 2014   | 2015  | 2016  | 2017  | 2018  | 2019  | 2020  |
|---------------|-------|--------|-------|-------|-------|-------|-------|-------|
| Persons on SA | 9,241 | 10,020 | 6,976 | 6,301 | 5,996 | 5,518 | 4,991 | 4,598 |
| Persons on UA | 6,119 | 5,924  | 4,816 | 3,594 | 1,954 | 1,360 | 1,099 | 1,107 |

Source: NSO (2020) amplified for this report by NSO Data refers to January – December of respective year; Source: NSO.

In parallel with these changes, the number of people Malta deprived in of at least 5 of the items used by SILC to calculate AROPE (materially and socially deprived persons) declined from 67,366 (rate: 15.6%) in 2015 to 47,984 (rate: 9.9% in 2019), and to 47,212 (rate: 9.4%) in 2020.

Table 2. Table 2: Malta Material Deprivation 2015-2020

|  | 2015   |      | 2016   |      | 2017   |     | 2018   |     | 2019   |     | 2020   |     |
|--|--------|------|--------|------|--------|-----|--------|-----|--------|-----|--------|-----|
|  | N=     | %    | N=     | %    | N=     | %   | N=     | %   | N=     | %   | N=     | %   |
| Persons deprived of at least 5 of the above items (materially and socially deprived persons) | 67,366 | 15.6 | 47,359 | 10.7 | 37,166 | 8.2 | 43,049 | 9.2 | 47,869 | 9.9 | 47,212 | 9.4 |

Source: NSO, Official Communication, 22 November 2021

Note: This Table was extracted by NSO for the purpose of this report. It is partly based on ilc\_mdspd07, but updated as on the date given.

Overall, benefit dependency decreased by more than 60% in 6 years. Expenditure declined as in Table 3 below:

<sup>12</sup> Ministry of Education and Employment (2014) *The National Employment Policy*.  
<https://education.gov.mt/employment/Documents/EMPLOYMENT%20POLICY%20DOC%20sml.pdf>

Table 3. Expenditure on Social Assistance 2013-2020

| Year | Social Assistance<br>€'000 | Unemployment Assistance<br>€'000 |
|------|----------------------------|----------------------------------|
| 2013 | 36,582                     | 22,861                           |
| 2014 | 39,258                     | 22,454                           |
| 2015 | 28,454                     | 17,901                           |
| 2016 | 27,910                     | 10,293                           |
| 2017 | 26,812                     | 6,005                            |
| 2018 | 24,522                     | 4,664                            |
| 2019 | 22,410                     | 3,886                            |
| 2020 | 21,521                     | 3,696                            |

Source: Official Communication NSO, 22 November 2021

The above table illustrates that expenditure on SA decreased by over 41% or €15m, expenditure on UA was reduced by 84% or €19m. The reduction in expenditure on SA is due to the huge decrease on social assistance dependency which may in part be due to the measures undertaken during a climate of economic growth where more people were spurred to join the workforce.

What is also interesting is that during the first year of the Covid-19 pandemic, the number of social assistance beneficiaries remained static and did not increase as a result of Covid-19 related loss of jobs, as a result of a series of job retention measures implemented in Malta with financial support from the government.

### **3 Links to social services and integrated provision of targeted social services**

Malta's state-run Foundation for Social Work Services (FSWS) incorporates a special agency, named *Aġenzija Appoġġ* (AP) which functions as the national Agency for children, families and the community. AP safeguards and promotes the well-being of these persons through the development and provision of psycho-social welfare services. AP was not specifically set up to cater for persons with minimum income, nor even persons who are at-risk-of-poverty or suffering material or severe material deprivation. But in its present form, AP provides services, all focusing on children, families and adults in vulnerable situations and/or at risk of social exclusion. In line with Government policy AP offers services to support and work with families and/or individuals at risk of poverty and social exclusion to empower them to improve their quality of life through its social workers. It is important to note however that these services are not outreach services but are provided to people who drop in to seek them. (When requested to indicate action specifically aimed at MI beneficiaries for the present study, the official reply given was: '*clients are assessed irrespective if MI recipients or not*'. Thus, these detailed data are not available.)

In parallel with the services provided by AP, the government run Foundation for Social Work Services (FSWS) runs a community based social services programme which is commonly known as LEAP<sup>13</sup>. This programme is specifically devoted to addressing Anti-Poverty and Social Exclusion issues in Malta and though not directly addressed at minimum income recipients supports many of them. The mission statement of LEAP is

<sup>13</sup> It does not appear that LEAP is an acronym.



specifically to combat social exclusion and poverty through employment, capacity building, social integration and social mobility. Its declared aim is to reduce poverty amongst vulnerable families through employment and education.

LEAP focuses on four specific population groups, namely: (i) children, (ii) the elderly, (iii) unemployed persons, and (iv) the working poor, with special attention to single parents, people with disabilities, ex-offenders, migrants and the working poor. It seeks to assist people to alleviate poverty and social exclusion in the following spheres: (a) income and social benefits; (b) employment; (c) education; (d) health and environment; (e) social services; and (f) culture.

LEAP is present in six different localities, spread across the Maltese islands, where it seeks to assist vulnerable individuals to integrate into the labour market by creating occupational opportunities for disadvantaged groups and households which are at risk of poverty.

The programme aims to combat social exclusion and poverty through a number of interventions which include the development of a cluster-based network system at both regional and local levels which helps foster social cohesion and mobility in various vulnerable localities.

In order to reach those people most vulnerable to poverty, LEAP is also responsible for the running of the *Fund for European Aid to the most Deprived* programme (FEAD). LEAP uses the FEAD programme to access people in need of support. LEAP aims to reduce poverty indirectly through employment and education. Therefore, during the initial visit to the household emphasis is placed on the importance of employment. LEAP's staff emphasise that employment leads to a better quality of life in a holistic manner. After each Home Visit social mentors are invited to do a SWOT analysis of the family, so portraying the strengths, weaknesses, opportunities and threats the family is experiencing, giving the mentor an outline of the family's main issues. This is followed by an action plan for the family.

As such, the capillary presence of LEAP seems to have resulted in a number of beneficiaries entering regular employment (see the annual reports of the FSWS , though nowhere are actual numbers of the people concerned indicated). But the main problem is that, outside the FEAD programme, LEAP runs functions as a drop-in service. The limited resources available do not allow the programme to be a fully-fledged outreach programme and therefore success is essentially limited.

In respect of jobs search and training services, JobsPlus is the only agency that is linked, however indirectly, to SA/UA. As such, specific initiatives have also been introduced by JobsPlus in order to level the playing field for the most vulnerable groups within the local labour market. The three main programmes are: a) the *Access to Employment Scheme (A2E)*; b) the *Bridging the Gap Scheme* and c) the *VASTE Programme*.

The *Access to Employment Scheme (A2E)*, run by JobsPlus<sup>14</sup> seeks to offer employment aid to enterprises in Malta and Gozo to promote the recruitment of those jobseekers and inactive persons who experience the most challenges. It strives towards enhancing opportunities for labour market access and providing work experience to those furthest away from gainful employment. This scheme was consolidated in October 2020 in order to include unemployed persons aged between 15 and 64 years who previously participated in previous initiatives such as the Youth Guarantee, Work Exposure Scheme, or Traineeship Scheme. The scheme is demand

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<sup>14</sup> For additional information please consult [https://jobsplus.gov.mt/schemes-jobseekers/a2e-scheme#:~:text=The%20Access%20to%20Employment%20\(A2E,amongst%20jobseekers%20and%20inactive%20persons.](https://jobsplus.gov.mt/schemes-jobseekers/a2e-scheme#:~:text=The%20Access%20to%20Employment%20(A2E,amongst%20jobseekers%20and%20inactive%20persons.)

driven and grants are awarded on a first-come first-served basis, subject to the annual ceilings and total budget of EUR 12 million.

The *Bridging the Gap Scheme*<sup>15</sup>, another JobsPlus programme, provides support in the transition period from unemployment to employment to registered persons with disabilities and people in disadvantaged situations. The scheme allows the employer to evaluate the performance of the individual in the workplace, prior to proper engagement. Participants receive a weekly allowance of 80% of the minimum wage while they can retain any social benefits they receive. However, if the work exposure period exceeds twenty-eight weeks, social benefits will have to be forfeited. Additionally, employers participating in this scheme will be exempted from social security contributions, wages and sick leave benefits until proper engagement.

Similarly, through the *VASTE Programme*<sup>16</sup> (EUR 13 million) JobsPlus offers a holistic assessment to participants as well as pre-employment training (PET) or sheltered employment training (SET) which might lead to several employment opportunities. The latter is a one-year programme aimed at preparing individuals with mental, physical and/or intellectual disabilities for employment by stimulating working environment and possible move towards sheltered employment and eventually to open employment. Additionally, through the VASTE Programme, persons with disabilities and vulnerable jobseekers can also benefit from occupational therapy, professional support, job carving, job coaching and mentoring.

Despite these programmes, which are very useful to reduce dependence on SA and AU, the link between JobsPlus and the Department of Social Services, which administers both SA and UA, is very tenuous because it consists simply in feeding the DSS with the list of names of those who qualify for benefits. Training provided by JobsPlus is not organised jointly with the DSS, nor does the DSS provide any other services except ensuring that the benefits reach those to whom they are addressed.

## **4 Governance mechanisms**

Given the size of Malta, MI schemes are run completely by the central government, through the Department of Social Security and the Income Support and Compliance Division within the *Ministry of Social Justice and Solidarity, the Family and Children's Rights*. The central operations are supported by the *servizz.gov* hubs, which serve as contact points for people who require clarification, or any form of service from the department.

As already pointed out above, the service is also supported by the one-stop service provided by *servizz.gov*, which is a telephone-based and internet-based service through which information and assistance can be provided for all the different sections of the public service in Malta<sup>17</sup>. The massive spread of digital services (e-government) has greatly facilitated access to people through the Internet. Beneficiaries who are not able to use the internet can call personally at any of the hubs.

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<sup>15</sup> For additional information please consult: <https://jobsplus.gov.mt/schemes-jobseekers/bridge-gap-scheme>

<sup>16</sup> For further information consult: <https://jobsplus.gov.mt/schemes-jobseekers/vaste>

<sup>17</sup> The official description of *servizz.gov* agency is: '*servizz.gov is the agency bringing all government services together. It is a bridge between the Public Service of Malta and the general public, making government services more accessible. servizz.gov makes life easier and saves time. It does away with travelling to offices in Valletta and elsewhere. The first three hubs opened in Paola, Birkirkara and Qawra. Another two followed, in Vittoriosa and Qormi. In 2019 the service expanded in a different direction, with the opening of three centres related to a particular sector. They are the education hub in Belt is-Sebħ, the family hub in Floriana (situated in the old ADT building) and the taxation hub in Floriana. In 2020, servizz.gov tripled in number and is now managing 23 hubs across Malta*'. For more detailed information on the *servizz.gov* Agency, please consult: <https://www.servizz.gov.mt/en/Pages/Servizz/default.aspx>

A self-sufficient independent and regular monitoring of the scheme outside the COLA mechanism does not exist in Malta, but a number of auditing and monitoring exercises are in place. Some of these are part of general auditing procedures undertaken both internally by the Department of Social Security and by the National Audit Office, others are the result of publications by bodies which are not directly involved in running MI schemes, whilst others form part of wider initiatives that cover social spending in general. Among these, the following are relevant:

- *Malta's Anti-poverty strategy*: In 2014-2015 Malta undertook studies that led to the development of an anti-poverty strategy<sup>18</sup>. This was followed by two evaluation reports covering the period 2014-2019. The first of these reports covered the 2014-2016 period<sup>19</sup>, whilst the second one, conducted in 2020, covered the period 2017- 2019<sup>20</sup>.
- *Occasional research papers by the Central Bank* (which is not the institution responsible for MI schemes) address social issues. Two recent publications that impact on MI are:
  - 'The Inflation Experience of Low Income Households' by Jude Darmanin (2021)<sup>21</sup>;
  - 'The characteristics associated with the short and long-term unemployed in the Maltese labour market', by Ian Borg and Rafael Fearne (August 2021)<sup>22</sup>;
- Action as part of *Malta's Recovery and Resilience Plan* (RRP), which has only been very recently approved by the EU Commission. Reform C5-R5: *Reinforcing the resilience of the labour market* will specifically address the MI structure in Malta. The RRP does not specifically mention either SA or UB, but a revision of unemployment benefits would be incomplete if UA is not included in the study.
- *Malta's continued participation in EUROMOD* assists policy makers to assess MI regimes. In particular, EUROMOD's specially designed purpose tools and extensions, and especially the *Hypothetical Household Tool (HHoT)* (the plugin for designing hypothetical households and generating data according to the chosen household characteristics, and the estimation of the effects of taxes and benefits on household disposable income), and the *Policy Effects Tool (PET)* (through which the first-order effects of policies on household incomes) are very useful in this respect. The model includes other tools that are used in the analysis such as the Labour Market Adjustment (LMA) Add-on and Marginal Tax Rate (MTR) add-on. The LMA allows the transition of individuals to a different labour market status such as unemployment/ employment and then we can analyse how this change is linked with the defined tax and benefit model and analyse the distributional impact on household disposable income. The MTR analyse how an increase of 3% on employment income equivalent to working an additional hour impact employee's disposable income, through changes in social insurance contribution, paid taxes and benefit entitlement. This indicator is a proxy of the intensive margin for labour supply.

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<sup>18</sup> Available at: <https://family.gov.mt/wp-content/uploads/2021/05/Poverty-Strategy-14-MT.pdf>

<sup>19</sup> Available at: <https://family.gov.mt/wp-content/uploads/2021/05/Implementation-and-Evaluation-Report-2014-2016.pdf>

<sup>20</sup> Available at: <https://family.gov.mt/wp-content/uploads/2021/05/NSP-Web.pdf>

<sup>21</sup> Available at: <https://www.centralbankmalta.org/site/Publications/Economic%20Research/2021/policy-note-inflation-experience-low-income-households.pdf?revcount=4304>

<sup>22</sup> Available at: <https://www.centralbankmalta.org/site/Reports-Articles/2021/policy-note-unemployment-duration.pdf?revcount=1496>.

- Malta's request for external support through the World Bank to rebalance the Social Safety Net<sup>23</sup>: Component 1 of this project (Stocktaking and Policy Level Analysis), which is currently underway, involves three main tasks: (1) inventory and mapping of existing social protection interventions (including social assistance, tax benefits, and pensions), focusing on implications for the policy of safety nets. MI schemes are a core element of Malta's social safety net; 2) exploration and development of potential reform options to increase progressivity of social assistance (safety nets), including potential expansion of the tax benefits; and (3) recommendations and reform roadmap.
- The Guardian of Future Generations, established by Article 8 of the Sustainable Development Act, Chap. 521<sup>24</sup>. One of the main objectives of this new institutions established by the Act is to 'promote sustainable development advocacy across national policy making, legislation and practices' to ensure that any decisions taken by government includes an evaluation of how future generations would likely be impacted by them. Minimum Income schemes are therefore not directly listed, but once more they constitute an important aspect which would need to be constantly monitored in view of the future consequences of any decisions taken in their respect.

## **5 Impact of MI schemes**

MI schemes have been a permanent feature of Malta's social security system for many decades now, and they have served to alleviate poverty especially when pension schemes either did not exist or were very meagre. It is very difficult to establish the precise impact that they have, on their own, on the well-being of the Maltese. What can be examined is the effect on transfer payments on the overall level of poverty in Malta since ad hoc studies on the direct of MI schemes do not exist.

Table 4 shows the effect of social transfers on the at-risk-of-poverty (ARP) rate in Malta for 2011 to 2020, according to EU-SILC, which is calculated as the percentage point difference in the ARP rate (excluding pensions) before and after social transfers. As can be noted, the effect was higher in the middle of the past decade than it was in 2020. This is probably the result of the fact that cost of living increases were higher than what was captured in the official COLA mechanism. Despite the fact that Maltese politics has a long-standing social orientation, and different administrations use the annual budget to introduce new social measures that improve social services through increases in the benefits. These increases are indexed. But these increases seemingly do make up for the difference between incomes and the poverty risk threshold level in a way that allows those under the threshold to go above it. The trend is rather in the opposite direction and the gap widens. As a result, Minimum Income schemes are obviously negatively affected. This is a concern, and to address it, in the 2022 budget the Government it was announced that it was working on Cost-of-living mechanism for vulnerable families, an initiative that the Government is currently discussing the proposal with social partners.

Even the Central Bank and the government itself have noted that the cost of living increases negatively impact lower income groups more than other groups in the population.<sup>25</sup> It is also to be noted that, especially in the earlier years, the effect of

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<sup>23</sup> Information on this programme has been provided by Director General of the Economic Policy Department of the Ministry of Finance in a personal communication, dated 3 November 2021.

<sup>24</sup> ACT is available at <https://sustainabledevelopment.gov.mt/wp-content/uploads/2021/10/ACT521-%E2%80%93Document.pdf>

<sup>25</sup> See Pace, Y. (22 September 2021) 'Low-Income Households Experience Higher Inflation Than Others But Are Kept Afloat By Government Intervention' in which the writer comments on the Central Bank Policy paper on this subject. <https://lovinmalta.com/news/low-income-households-experience-higher-inflation-than-others-but-are-kept-afloat-by-government-intervention/> The Central Bank's policy note, written by Darmanin, J. (2021) is available at <https://www.centralbankmalta.org/site/Publications/Economic%20Research/2021/policy-note->

social transfers on the Female ARP was greater than it was for males. In 2020, the impact of the rate for females was 4.9 percentage points; that for males was 4.1 percentage points; and for the total was 4.5 percentage points.

*Table 4. Effect of social transfers on ARP (Malta)*

|      | TOTAL                            |                                 |   | MALES                            |                                 |   | FEMALES                          |                                 |   |
|------|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|----------------------------------|---------------------------------|---|
|      | ARP rate before Social Transfers | ARP rate after Social Transfers | % points improvement as a result of transfers | ARP rate before Social Transfers | ARP rate after Social Transfers | % points improvement as a result of transfers | ARP rate before Social Transfers | ARP rate after Social Transfers | % points improvement as a result of transfers |
| 2011 | 23.2                             | 15.6                            | 7.6   | 22.0                             | 15.0                            | 7.0   | 24.5                             | 16.1                            | 8.4   |
| 2012 | 24.0                             | 15.1                            | 8.9   | 22.8                             | 14.4                            | 8.4   | 25.2                             | 15.8                            | 9.4   |
| 2013 | 23.4                             | 15.8                            | 7.6   | 22.1                             | 15.4                            | 6.7   | 24.8                             | 16.1                            | 8.7   |
| 2014 | 23.7                             | 15.8                            | 7.9   | 22.5                             | 15.7                            | 6.8   | 25.0                             | 16.0                            | 9.0   |
| 2015 | 23.8                             | 16.6                            | 7.2   | 22.5                             | 16.3                            | 6.2   | 25.1                             | 16.9                            | 8.2   |
| 2016 | 23.8                             | 16.5                            | 7.3   | 23.3                             | 16.5                            | 6.8   | 24.2                             | 16.5                            | 7.7   |
| 2017 | 23.9                             | 16.7                            | 7.2   | 22.5                             | 16.1                            | 6.4   | 25.4                             | 17.3                            | 8.1   |
| 2018 | 24.2                             | 16.8                            | 7.4   | 22.2                             | 15.6                            | 6.6   | 26.3                             | 18.1                            | 8.2   |
| 2019 | 23.2                             | 17.1                            | 6.1   | 21.4                             | 16.1                            | 5.3   | 25.1                             | 18.1                            | 7.0   |
| 2020 | 21.4                             | 16.9                            | 4.5   | 19.7                             | 15.6                            | 4.1   | 23.2                             | 18.3                            | 4.9   |

*Source: SILC ilc\_li02 and ilc\_li10*

More ad hoc research is required to determine the effect of the MI schemes on other aspects of social life in Malta. No research has been conducted on the relationship between criminal activity and work involvement, neither are sufficient data available to identify how much of the reduction of at-risk-of-poverty rates can be attributed to MI schemes. It is hoped that the various initiatives referred to in section 3 above will contribute significantly towards the creation of better audit tracks and more comprehensive data that would allow researchers to better evaluate the role of MI schemes, and to determine whether existent structures are enough to ensure not only the minimum whereby persons can survive, but enough secure income to reach adequacy levels for all members of society.

The challenges faced by Malta in respect of MI schemes are several. They can be summarised as follows:

- The main challenge Malta faces in respect of MI schemes is the need to implement the initiative that was announced in the 2022 budget the Government to develop a Cost-of-living mechanism for vulnerable families.;

inflation-experience-low-income-households.pdf?revcount=7020. In a pre-2022 budget speech, the Minister of Finance stated that the COLA mechanism will be supplemented by other measures to ensure that cost of living increases affecting 'those most in need' will be properly catered for. See write on this by Bonnici, J. (5 October 2021) 'Malta's Cost Of Living Adjustment Will Be Supplemented By New Mechanism, Finance Minister Reveals'. Lovinmalta. Accessible at: <https://lovinmalta.com/news/watch-maltas-cost-of-living-adjust-will-be-replaced-by-new-mechanism-finance-minister-reveals/>

- Malta does not have a MI scheme as such. Given the current attempts to improve the safety net, it would be apposite for a clearly defined policy to be developed and instruments that ensure its implementation to be defined;
- The current 'benefit' structure is complicated, and to a large extent fragmented. As an intermediary stage until a fully-fledged MI policy is developed, an attempt to integrate the existing elements would be a substantial improvement, both for the beneficiaries themselves and for the administrators that have to manage them;
- As 9.4% of the Maltese population falls within the category of materially and socially deprived, Maltese policy makers need to very carefully consider what concrete and urgent action needs to be taken to reduce their numbers. The positive effect achieved in the reduction of UB beneficiaries from 4500 in 2013 to a mere 318 at the end of 2021 needs to be extended to ensure that the re-distributive mechanism in the economy benefits all the beneficiaries of MI schemes.

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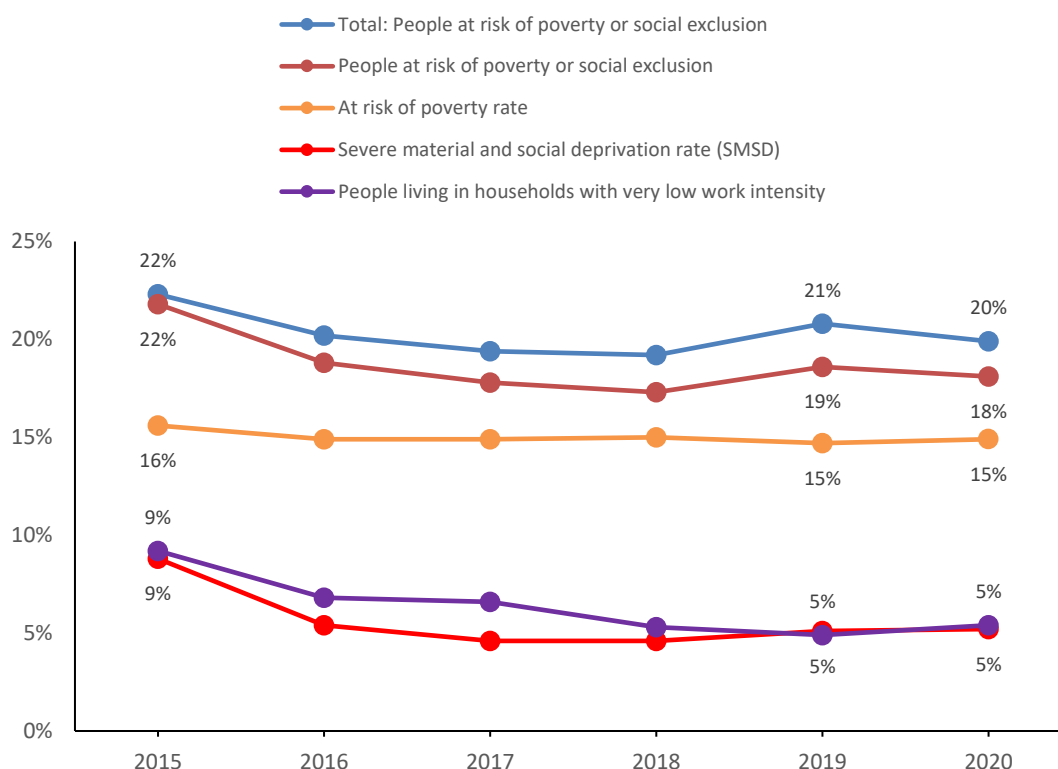
### **Interviews**

The Director General and other officials in Department of Social Security and Income Support, Ministry for the Family, Children's Rights & Social Solidarity.



## 7 Annex

Figure 1. AROPE indicator and components, Malta, 2015-2020 (%)

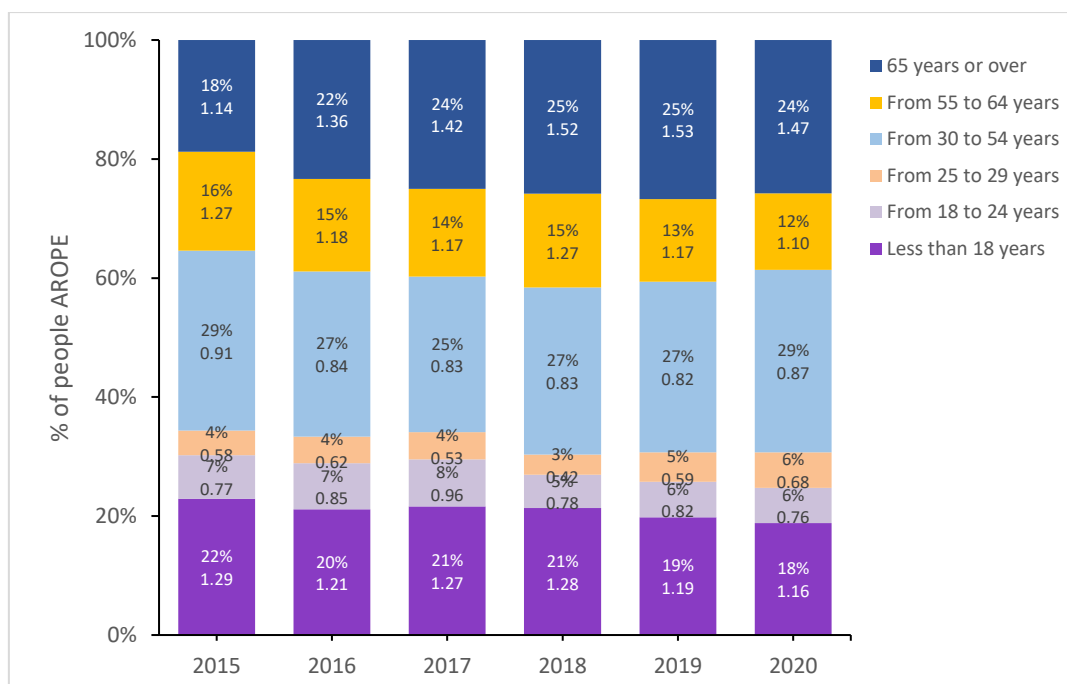


Note: The line for "Total: People at risk of poverty or social exclusion" indicates the trend for overall population, while the other lines show the figures for individuals aged 0-64.

Source: Eurostat EU-SILC indicators [ilc\_peps01n], [ilc\_li02], [ilc\_mdsc11] and [ilc\_lvhl11n]. Data downloaded on 14/02/2022.

- In 2020, the share of total population at risk of poverty or social exclusion (AROPE) in Malta stood at 19.9%, higher than that of those aged 0-64 (18.1%), reflecting the relatively high risk among those aged 65 and over. The AROPE rate for the total population declined over the period 2015-2020, but the reduction was concentrated among those aged under 65, the rate for those older than this increasing over the period.
- Most of the people at risk of poverty or social exclusion, 14.9 % of those aged 0-64, had household disposable income of below 60% of the median in 2020 (i.e. they were at risk of poverty), the proportion remaining much the same over the 2015-2020 period.
- Around 30% of those at risk of poverty or social exclusion lived in households with very low work intensity in 2020, 5.4% of those aged 0-64, the latter proportion declining broadly in line with the AROPE rate over the preceding 5 years.
- Much the same is true of those affected by severe material and social deprivation who also made up around 30% of those in this age group at risk of poverty or social exclusion in 2020, 5.2% of those aged 0-64, the proportion declining as well in line with the AROPE rate.

**Figure 2.** Division of people aged 0-64 and at risk of poverty or social exclusion by age group, Malta, 2015-2020 (%)

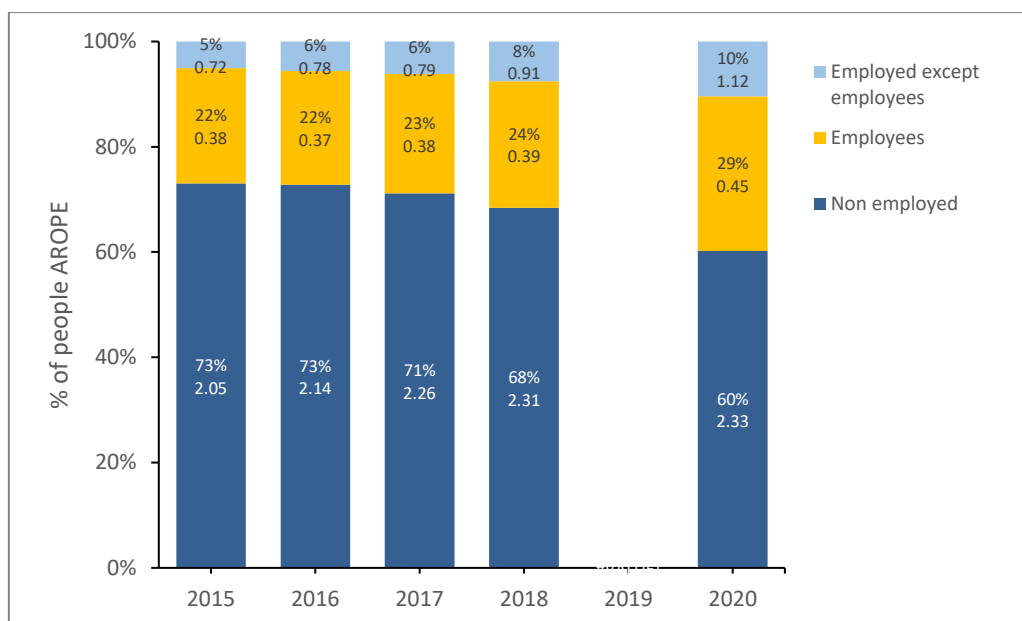


*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Source: Eurostat EU-SILC indicators [ilc\_peps01n], own calculation. Data downloaded on 14/02/2022.*

- More women than men aged 0-64 were at risk of poverty or social exclusion in 2020 (52% of the total). Since there were fewer women than men in this age group (48% of the total), women were significantly more likely to be at risk than men. Moreover, the difference in risk widened over the period 2015-2020.
- As implied by Figure 1, older people aged 65 and over are more much likely to be at risk of poverty or social exclusion than those younger, the likelihood tending to increase between 2015 and 2019 when they made up 24% of the total at risk.
- Those aged 55-64 nearing retirement age are also more likely than average to be at risk.
- Children under 18 are equally more likely to be at risk of poverty or social exclusion than adults, these accounting for 18% of the total at risk in 2020.

**Figure 3.** Division of people aged 18-64 at risk of poverty or social exclusion by most frequent economic activity status, Malta, 2015-2020 (%)

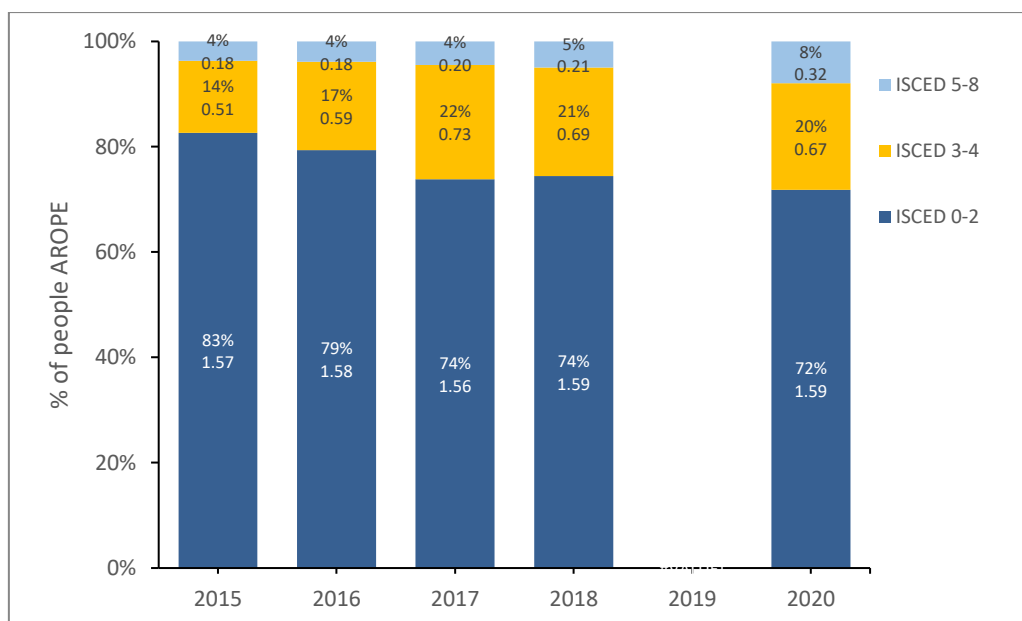


*Note: No data available on most frequent activity status for 2019. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Source: Eurostat EU-SILC indicators [ilc\_peps02n] and [ilc\_lvhl02], own calculation. Data downloaded on 14/02/2022.*

- People aged 18-64 not in work are considerably more likely to be at risk of poverty or social exclusion than those in employment, these making up 60% of the total at risk in 2020. The risk increased over the period 2015-2018, though declining numbers of the non-employed more than offset this.
- Among those in employment, the risk of poverty or social exclusion is significantly higher among the self-employed, together with family workers, than for employees, these accounting for 10% of the total at risk in 2020.

**Figure 4.** *Division of people aged 18-64 at risk of poverty or social exclusion by education level, Malta, 2015-2020 (%)*

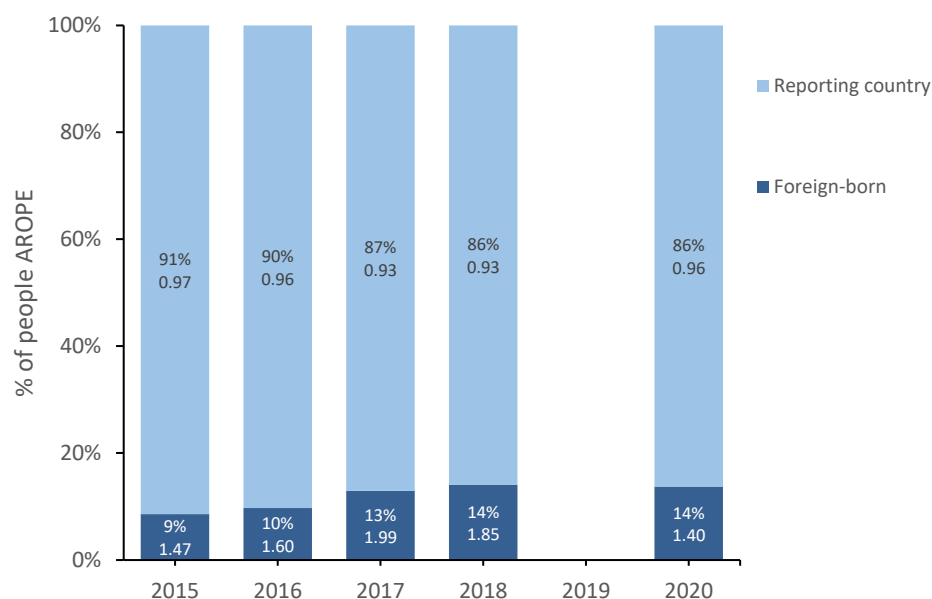


*Note: No education level data available for 2019. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Source: Eurostat EU-SILC indicators [ilc\_peps04n] and [ilc\_lvps04], own calculation. Data downloaded on 14/02/2022.*

- People aged 18-64 with only basic schooling (ISCED 0-2) are much more likely to be at risk of poverty or social exclusion than those with higher education levels, which together with their relatively large numbers means that they made up 72% of the total at risk in 2020.
- Those with tertiary education (ISCED 5-8) have a far lower likelihood of being at risk than those with upper secondary education level (ISCED 3 and 4), these accounting for only 8% of the total at risk in 2020.

**Figure 5.** *Division of people aged 18-64 at risk of poverty or social exclusion by country of birth, Malta, 2015-2020 (%)*

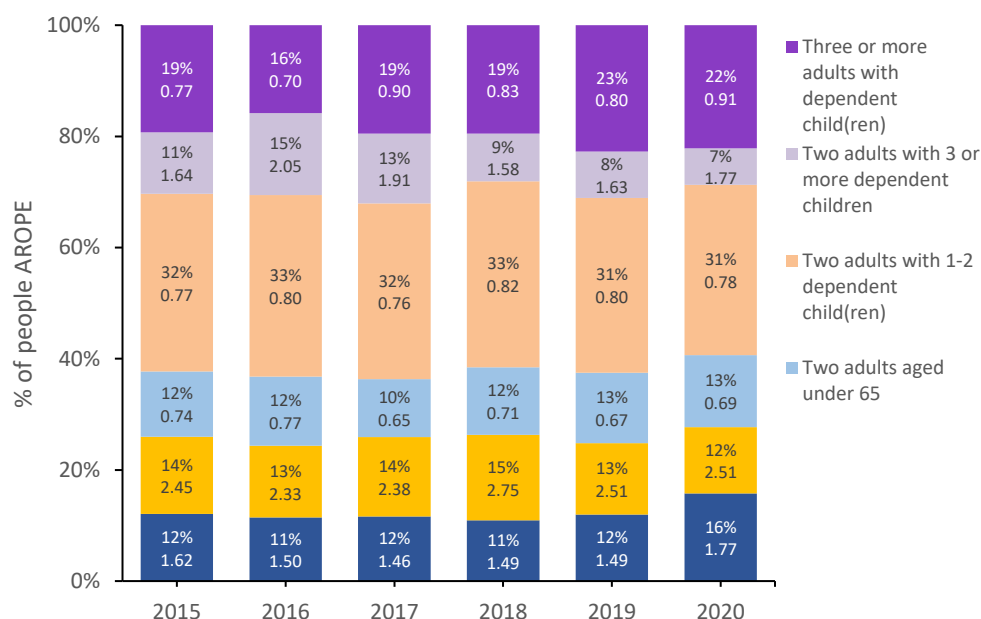


*Note: No detailed country of birth data. No country of birth data available for 2019. Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Source: Eurostat EU-SILC indicators [ilc\_peps06n] (Data downloaded on 14/02/2022) and EU-SILC microdata, own calculation.*

- People aged 18-64 born abroad are much more likely to be at risk of poverty or social exclusion than those born in Malta, the likelihood increasing over the period 2015-2018. In 2020, they made up 14% of the total at risk.

**Figure 6. Division of people at risk of poverty or social exclusion by household type, Malta, 2015-2020 (%)**



*Note: Figures below the percentage figures in the bars show the ratios of the share at risk to the share of the age group in total population, which indicate the relative likelihood of the age group being at risk.*

*Note that the chart does not include all household types. In particular, it excludes those aged under 65 living in a household with three or more adults without children, who are difficult to distinguish in the published data.*

*Source: Eurostat EU-SILC indicators [ilc\_peps03n] and [ilc\_lvps02], own calculation. Data downloaded on 14/02/2022.*

- People lagged under 65 living alone are far more likely to be at risk of poverty or social exclusion than others. This is even more the case for those living alone with children, who despite their relatively small numbers made up 12% of the total at risk in 2020.
- Couples with 1-2 children were no more likely to be at risk of poverty or social exclusion than those aged under 65 without children and much less likely than average, but they nevertheless accounted for almost a third (31%) of the total at risk in 2020.
- Couples with 3 or more children by contrast were considerably more likely to be at risk than average, but their small numbers mean that they made up only 7% of the total at risk.

Table 5. At risk of poverty rate before and after social transfers, excluding old age benefits, for those aged 0-64, Malta, 2015-2020

|      | Before social transfers, excl. old-age benefits (%) | After social transfers (%) | Effect of social transfers on arpop rate (%-point change) |
|------|---|----------------------------|---|
| 2015 | 22.3  | 15.6                       | -6.7  |
| 2016 | 21.7  | 14.9                       | -6.8  |
| 2017 | 21.3  | 14.9                       | -6.4  |
| 2018 | 21.5  | 15.0                       | -6.5  |
| 2019 | 20.3  | 14.7                       | -5.6  |
| 2020 | 19.0  | 14.9                       | -4.1  |

Source: Eurostat EU-SILC indicators [ilc\_li02] and [ilc\_li10]. Data downloaded on 14/02/2022.

- Social transfers had the effect of reducing the at-risk-of-poverty (arpop) rate by just 4 percentage points in 2020, cutting the number at risk by only 22%. This is less than in any of the preceding 5 years, though the maximum reduction for over this period was only 31% (in 2016).

Table 6. At risk of poverty rate and persistent at risk of poverty rate for those aged 18-64, Malta, 2015-2020

|      | At risk of poverty rate (%) | Persistent at risk of poverty rate (%) | Persistent rate as % of annual rate |
|------|-----------------------------|--|-------------------------------------|
| 2015 | 13.4                        | 10.7                                   | 79.9                                |
| 2016 | 13.3                        | 9.0                                    | 67.7                                |
| 2017 | 13.2                        | 7.9                                    | 59.8                                |
| 2018 | 13.3                        | 7.7                                    | 57.9                                |
| 2019 | 13.2                        | 10.1                                   | 76.5                                |
| 2020 | 13.5                        | 6.7                                    | 49.6                                |

Source: Eurostat EU-SILC indicators [ilc\_li02] and [ilc\_li21]. Data downloaded on 14/02/2022.

- Half of the people of working age (18-64) at risk of poverty in 2020 were at persistent risk, i.e. they were consistently at risk for a number of years rather than being at risk for only one year, or temporarily. This is much less than in the 5 preceding years, the proportion varying 58% in 2018 to 80% in 2015.

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