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Good Practices in Social Security

Good practice in operation since: 2014

Making work pay

Certificate of Merit with Special Mention, ISSA Good Practice Award – Europe competition 2019

Ministry for the Family, Children's Rights and Social Solidarity
Malta

Summary

In 2014, the Government of Malta enacted a host of active labour market policies termed “Making work pay”, with the aim of boosting the potential of the Maltese economy, reducing welfare dependency by incentivising inactive or unemployed persons to work and, in the process, enabling Maltese citizens at large to enjoy a higher standard of living.

Ensuring that people are supported to achieve their employment potential and ambitions is one of the most significant labour market and social policy challenges for policymakers today.

The principle behind the efforts is that “Making work pay” should mean that all working families can consistently afford at least the basic necessities, as they are encouraged to step up their work effort, thus seeing real increases in their financial capability.

To this end, the Government embarked on a strategy in four priority areas:

- *build skills and independence;*
- *provide work support;*
- *promote job retention and re-entry to work; and*
- *engage employers.*

The issue or challenge

What was the issue or challenge addressed by your good practice? Please provide a short description.

As part of the Europe 2020 strategy, Malta engaged to attain its agreed specific targets, not least of which concerns employment and the fight against poverty.

Malta’s labour market policy had been biased for years towards a more passive approach and over time, the social network had been extended to cover a multitude of social problems. Unintentionally, the system nurtured dependency and disincentivized the take-up of work, resulting in a benefit trap cycle and a high at-risk-of poverty rate among social benefits dependents.

Furthermore, largely due to the historically strong impact of motherhood on female employment, Malta registered low rates of female employment, so much so that it was the subject of the European Union (EU) country specific recommendations in 2012, 2013 and 2014.

Addressing the challenge

What were the main objectives of the plan or strategy to resolve the issue or challenge? List and briefly describe the main elements of the plan or strategy, focusing especially on their innovative feature(s) and expected or intended effects.

In 2014, Government activated measures and policies to boost economic growth and invigorate employment levels, and concurrently introduced a package of active labour market initiatives

aimed at making work pay. The package comprised the in-work benefit scheme, the tapering of social benefits, free childcare for parents in employment and education, and the availability of care for primary pupils before and after school hours.

- Tapering of benefits scheme – This 3-year scheme was developed to wean off persons from inactivity and social benefits and provide them with greater security when landing a job. Besides warding them off the dependency trap, the scheme enables beneficiaries to invest in their future contributory pension.

Social assistance beneficiaries (for at least one of the previous three years) are enrolled in the scheme if from their new job they earn at least the minimum wage.

Under the scheme, beneficiaries are allowed to retain part of their social benefits when they get employed. In their first year in a job, they retain 65 per cent of the benefit. In the following two years they retain 45 per cent and 25 per cent, respectively.

The support of the private sector and the willingness of employers to offer job placements are fundamental to the success of the scheme. To this end, job providers are assigned 25 per cent of the benefit throughout the three years of the scheme. Again, even here, an innovative approach has been applied, as job providers are seen in a new light, as a crucial partner to the Government's efforts in the social sphere.

The residual amount of the benefit is channelled to finance placement services and to run training programmes to improve the skills of workers.

The scheme is also open to single parents with children under 23 years with different criteria addressing the particular realities of single parenthood in Malta but always with the aim of weaning them off welfare dependency.

- In-Work Benefit scheme – The scheme was launched in 2015 to enhance the situation of low-to-medium income households, where married couples and single parents are in employment and have dependent children up to 23 years of age. As an anti-poverty measure, the scheme was extended to one-earner families the year after but with lower rates than dual-earner families so as to retain the incentive for the second parent to work and earn a higher rate of benefit.

Benefits are payable per child and are calculated solely on net income from employment. The benefit rates are pegged to a range of income thresholds and are intended to incentivize beneficiaries in employment. The rates were increased in 2017 and 2019, and concurrently broadened the range of income thresholds.

- The free-childcare scheme – This was introduced in 2014 to facilitate the entry or retention of women in the labour market. It is open to children under three years of age where both parents (or a single parent) are in employment, in education or actively seeking a job.

The service is provided through State and registered private childcare centres. On average, children spend around 5 hours daily in these centres which are also provided free, quality early child education.

Targets to be achieved

What were the quantitative and/or qualitative targets or key performance indicators that were set for the plan or strategy? Please describe briefly.

The key thrust of national policy since 2014 has been the creation of favourable economic and employment conditions to reduce the proportion of people at risk of poverty or social exclusion,

and at the same time, address the EU's country specific recommendations and attain the Europe 2020 employment and poverty targets.

The take-up of the scheme did not depend only on the macro-economic factors and favourability of the labour market, but also on the individual behavioural factors that could not be predicted with high certainty.

At the inception of the tapering scheme, a profiling exercise was carried out to target persons who were eligible to benefit. These were largely persons on social assistance, unemployed and single parents, including women with children under 16 years of age.

Evaluating the results

Has there been an evaluation of the good practice? Please provide data on the impact and outcomes of the good practice by comparing targets vs actual performance, before-and-after indicators, and/or other types of statistics or measurements.

	Social assistance beneficiaries	Unemployment assistance beneficiaries	Tapering beneficiaries	In-Work beneficiaries	Children in free childcare
2013	10,784	4,330			
2014	9,639	3,791	497		3,856
2015	8,445	2,570	1,659	1,359	5,852
2016	8,110	1,391	2,482	2,294	5,335
2017	7,494	939	2,539	2,873	5,939
2018	6,840	766	1,958	4,514	6,737

Backed by exceptional economic growth and the creation of thousands of new jobs, the “Make work pay” framework has been a notable success.

This is clearly illustrated in the above table which juxtaposes the decline in the numbers of social assistance beneficiaries (−36.6 per cent) and unemployment assistance beneficiaries (−82.3 per cent) and consequently the total number of beneficiaries (−48.4 per cent of which 2 out of 3 are women) against the yearly number of beneficiaries of Tapering and In-Work benefits. The outcome indicator of the scheme shows that today 90 per cent of the tapering of benefits scheme participants remained in employment after exhausting the 3-year period. The innovative element is in the gradual weaning of benefits, never previously tried in Malta, which has shown to be a huge success.

This policy, aided by significant economic growth, has been instrumental in cutting down the number of jobless persons to record low levels. Consequently, Malta has achieved its Europe 2020 employment targets well before time.

The gender employment gap has been narrowed and female labour participation has grown steadily, registering the largest and most rapid increase in Europe in recent years.

Concurrently, Malta has reversed the rise in the number of people at risk of poverty and severe material deprivation, registering among the highest drops in the EU. The distribution of persons below the at-risk-of-poverty income threshold also compares favourably with Malta having one of the lowest relative ARP gaps in the EU.

Success has been achieved financially. In fact, from 2015 to 2018 the initiatives have significantly produced savings of 39 million euros (EUR) on social assistance expenditure (70 per cent of the projected annual expenditure on social assistance for 2019). The savings have been redistributed to finance the reform in the Disability Assistance, the introduction of an improved package for carers of elderly persons living in the community, and the enhancement of contributory pensions over the same period.

Furthermore, the free childcare policy served to break the mould, as it has been well-received by families with young children, despite the traditional wariness by parents to place their young children in childcare. The policy was of particular assistance to mothers as otherwise it would not have been possible for them to afford the additional cost of childcare. The success of the scheme is further underlined by the above figures which show that over 5 years the number of children placed in free childcare nearly doubled, reaching 40 per cent of the population of under 3-year olds in Malta.

Lessons learned

Based on the organization's experience, name up to three factors which you consider as indispensable to replicate this good practice. Name up to three risks that arose/could arise in implementing this good practice. Please explain these factors and/or risks briefly.

The positive economic climate was instrumental to the employment of thousands of active-age social beneficiaries. In such conditions, the main risk was a possible yo-yo effect of beneficiaries returning to benefit dependency after expiry of the tapering period.

However, experience now has shown that the “Make work pay” policy has gradually driven beneficiaries out of the benefit trap into the labour market and helped them remain there.

This policy has facilitated the entry/re-entry of women in the labour market. It has also enhanced the self-esteem of all its direct beneficiaries, as well as of their families. The reduction in severe material deprivation rates among other factors, can also be attributed to this activation.

The direct involvement of social partners in the development and implementation of these initiatives assured that everyone's requirements were considered.

Unquestionably, the making work pay policy has proven to be fundamental to increase jobs, reduce benefit-dependency, improve social inclusion and reduce poverty.