The History of Social Security in Malta

Social Protection in Malta

The development of social security services in Malta could possibly be traced back to the rule of the Order of the Knights of St. John over the Maltese islands. Although by the time the Knights came to Malta in 1530 they had evolved into a military order, as hospitalers they still devoted themselves to the care of the sick and poor. Besides defensive fortifications, they built a large-sized hospital in the new capital city and were engaged in a number of charitable bodies. They were actively involved in humanitarian activities to assist in cash or kind the poor and other deserving causes.

But it was not before the 19th century that the first-ever state sponsored social benefit was introduced in Malta. It took the form of a pension scheme launched in 1885 for police officers, and which a few years later, was extended to civil servants.

Legislative initiatives

The first green shoots of a social policy network appeared in the twenties with the granting of self-rule by the British Government in 1921 in the aftermath of the First World War and the socio-economic hardship that came in its wake. The legislative programme included the granting in 1927 of pensions to widows and orphans of deceased public officers.

It was followed two years later by the first-ever social insurance scheme designed to compensate workers who suffered injuries on duty. Benefits were financed through a fund regulated by the Workmen’s Compensation Act. Contributions towards the fund were compulsory and equally shared by employers, employees and the State.

Political upheavals and the onset of the Second World War cut short the legislative programme, which, however, resumed in earnest with the restoration of self-government in 1947.

The first measure in August 1948 was the Old Age Pensions Act which provided for the payment of pensions to elderly persons who had never been in employment. Unlike the Workmen’s Compensation Act, the scheme was not funded through contributions, but claimants had to undergo a financial means test. It was followed a couple of years later with the advent of a scheme of financial assistance (colloquially known as Relief) for needy families whose head was unemployed.

Watershed Year

1956 was a watershed year for the social security system with the enactment of two major bills - the National Assistance Act and the National Insurance Act - and the concurrent creation of the Department of Social Security. Social and Medical Assistance were accorded to different categories of vulnerable people without having to pay any contributions. Heads of household - unemployed, in search of employment or unable to work because of ill-health - were granted social assistance. If beneficiaries were residing in a rented house their assistance was augmented by a Rent Allowance.

Persons suffering from a chronic disease became entitled to Medical Assistance, irrespective of their family’s financial resources. The legislation further introduced free institutional care for the aged, free hospitalisation and treatment in all State-run institutions and hospitals.

The Workmen’s Compensation Act was repealed and replaced by a law providing for a comprehensive scheme of social insurance financed through contributions compulsorily paid by employees,
employers and the State. The scheme covered a wide range of benefits, allowances and pensions, besides contingencies covering sickness, employment injuries/diseases, unemployment, widowhood, orphanhood and old age.

A year later Government extended the provisions of the Old Age Pensions Act to visually impaired persons aged 40 years or over. The qualifying age in 1962 was lowered to 14 years to align it to the school-leaving age of the time.

The National Insurance Act was amended in 1965 to encompass self-employed persons and non-employed persons, thus bringing the scheme applicable to a broad spectrum of the Maltese population. In the same year Invalidity Pension was added to the string of social measures.

The Seventies

A host of innovative social measures were rolled out during the seventies. These comprised:

- The elimination of the distinction between men and women in regard to contributions and benefits. (1971)
- The introduction of the payment of an annual Bonus to all Social Security pensioners and recipients of Social Assistance. (1972)
- The establishment of Children’s Allowances from which thousands of households and children benefitted. (1974)
- A non-contributory Disability Pension was launched in the same year. It also covered persons suffering from a severe mental sub-normality or from cerebral palsy. In the following year the pension was extended to other categories of severely disabled persons
- Significantly, the Two-Thirds Pension came on stream in 1979, together with a pension scheme for widows calculated on their deceased husband’s earnings. The new schemes were supplemented by a reformed contributions system applicable to both employed persons and self-employed persons
- A National Minimum Pension was concurrently introduced to ensure persons claiming a contributory pension would not fall below a certain pension rate provided they had a full contribution record to their credit

The Eighties

The decade was marked by the approval of the Social Security Act by the House of Representatives to comprehensively encompass the provisions of three separate laws governing Old Age Pensions, National Assistance and National Insurance into one legislation.

The measures which were rolled out in the eighties included the introduction in 1981 of the maternity benefit for self-employed persons and for unemployed females. The benefit covers the 8 weeks prior to confinement and the first 5 weeks after confinement. Maternity leave benefit is awarded to females opting for maternity leave through their employer and deciding to extend their maternity week by four weeks. The weekly payable rate is at par with the national minimum wage.

Social assistance was extended in 1986 to single or widowed females single-handedly taking regular care of an elderly or disabled relative.
The Disabled Child Allowance was created in 1988. It is paid to parents of children with a disability.

The Nineties

The decade was fertile with new or enhanced social measures:

- **Introduction of a Widower’s Pension and an Orphan’s Supplementary Allowance.** (1991)
- **Unmarried or widowed persons taking care of a bed-ridden or wheelchair bound parent were accorded a Carers’ Pension.** (1992)
- **A Supplementary Allowance started being paid to citizens whose total income fell below a certain level.** (1996)
- **The Children’s Allowance scheme was reviewed and entitlement became subject to a means-test of the income derived by members of the household.** (1996)
- **The meaning of the term ‘Service Pension’ was fined tuned. As a result, a service pension for social security pension assessment was only considered as long as the original rate of such pension was over €466 per annum and had not been wholly commuted. If this was the case, the service pension was taken at its original rate, that is, when it was first received by the pensioner or the spouse in the case of a widows’ pension.** (1997)
- **The discrimination hitherto existing between men and women in the award of Widow’s Pension was eliminated. The amendments established that all contributory benefits applicable to a widow were to apply to a widower mutatis mutandis.** (1998)
- **The amendments further eliminated discrimination in the grant of sickness benefit. A married woman hitherto did not qualify to the Sickness Benefit rate applicable to a married man. With the new measures, both married men and women were put on the same footing as long as their spouse was not gainfully employed**
- **In the same year, after more than four decades, the responsibility for the collection and enforcement of Social Security Contributions passed from the Department of Social Security to the Inland Revenue Department**
- **The decade closed with a revision of the Social Security Contribution rate for employees. It was increased from 8.33% to 10%**

Early 21st Century

Since the turn of the century social protection has been invigorated by the activation of social reforms and benefit enhancements aimed at keeping the social security system abreast of changing social needs and challenges.

Furthermore, Malta’s accession to the European Union (EU) in 2004 social benefits became available to all citizens from other EU member states and reciprocally Maltese became eligible to benefits from other EU states.

Pensions
Given Malta’s ageing population, priority has been given to measures devised to strengthen the sustainability and adequacy of pensions.

The reform got underway in 2006 with the raise of retirement age from 61 years for men and 60 years for women to 65 years for both gender. Concurrently the contributory period has also been increased to 40 years while 10 years later it went up by another year for persons born after 1968.

In terms of sustainability, since 2016 adopted measures have been primarily designed to incentivize pensioners to remain active in the labour market beyond statutory retirement age and to ensure that, over time, a fair balance would be kept between contributions and benefits across generations. Employees in the private sector opting to remain in employment, now have the option to defer their retirement pension. In so doing, they stand to gain annual percentage increases in their pension rate, depending on how long they remain in employment (a maximum of 23% if pension is deferred for 4 years). In 2019 the incentive was extended to employees in the public sector as well.

In terms of adequacy, manifold measures have been implemented since 2016 to increase pensions across the board, to improve the living standards of elderly persons and toward them off the risk of poverty such as the following:

- Pension rates have risen across board for both contributory and non-contributory pensioners. A Minimum Guaranteed Pension has also been set persons with a full contributory record. Increases have been given on a pro-rata basis to persons with insufficient contributions
- The level of the non-contributory means-tested age pension has also been increased
- Female employees have been granted care credits to compensate for periods spent raising and caring for their children, thus helping them to improve their pension coverage
- Similar credits have been introduced for periods spent in education. The higher the levels of educational attainment the greater the credits awarded
- Survivors qualifying to a contributory pension are now entitled to full pension of the higher between their own pension and the pension of their deceased spouse
- The gender gap in pensions has been addressed with females gaining increases in their weekly pension rates
- Persons born between 1950 and 1956 in employment and short of Social Security Contributions have been given the opportunity to pay for a maximum of five years from their missing contributions to qualify for a pension
- Pensioners are no longer liable to pay tax on income arising from any type of pension up to a set maximum. In 2019 the exemption was capped at a maximum of €13,434 plus a further €1,000 for persons with a married tax computation
- Service pensioners yearly benefit from higher income as a result of the grant of a €200 waiver in their service pension
- As from 2019, on reaching 72 years of age service pensioners became eligible to an abatement of 75%, instead of 50%, of their commuted part of the service pension for the purpose of their social security pension
• Widows have been given right to full pension irrespective of their earnings from employment or their children’s age

• Contributions paid by pensioners who continued to work after reaching pensionable age are taken in consideration in the computation of their pension as from the age of 65 years

To underpin the reform of the pension system, A Strategy for Retirement and Financial Capability has been launched. It is primarily tailored to educate vulnerable groups in society on how to budget and manage money and prioritise to achieve a better quality of life.

In 2019 the applicability of the pension assessment for employees who benefitted from early retirement schemes has been extended to employees who opted to such schemes prior to January 2008. Previously, entitlement to such an assessment was restricted to employees who took up early retirement after January 2008.

A concession was given to persons who worked in Libya after January 1990, and who were adversely affected by changes in the social security bilateral agreement between Malta and Libya. Such persons were able to regularize their position by providing documented evidence of payment of contributions in Libya or by being able to pay up to 10 years of missing contributions in Malta.

Making Work Pay initiatives

The package of active labour market initiatives was rolled out in 2015 to incentivise social beneficiaries and women to enter the labour market. The package comprises the In-Work Benefit scheme and the Tapering of Benefits.

The In-Work Benefit scheme is targeted to improve the situation of low-to-medium income households where married couples (both or one of them) or single parents are in employment and have dependent children up to 23 years of age. Benefits are calculated on net income from employment and eligibility does not impinge on the entitlement of families to Children’s Allowance. The payable rates and income thresholds were revised and enhanced in 2019.

The Tapering of Benefits scheme job is designed to wean off persons from unemployment and social benefits and provide them with greater security when they take up a job. Besides eliminating the risk of persons falling into the dependency trap, the initiative paves the way for a beneficiary to invest in a future contributory pension through the payment of Social Security Contributions.

Under the scheme, beneficiaries are allowed to retain part of their social benefits when they up a job. In their first year in a job they retain 65% of a benefit, and 45% and 25% in the following two years. Over the same period, their employers are assigned 25% of the benefit.

Both schemes have been a notable success in encouraging persons on social and unemployment assistance, mostly single parents, to find employment. Coupled with the free Child Care programme, they have contributed to push up the participation of women in the labour market.

Persons with a disability

Even persons with a disability have found it easier to find a job. Their employment was facilitated through fiscal incentives offered to employers and through the enforcement of a law enacted in 1969 to reserve 2% of the manpower of companies with more than 20 employees to persons with a disability. At the same time, persons with disability in employment and earning more than the minimum wage have been given the right to retain their Disability Pension.
Furthermore, the Disability Pension has been reformed, primarily to assist persons who because of their disability could never be in a position to be gainfully occupied and have the opportunity to supplement their pension with income from employment. These persons are now entitled to the highest rate of allowance. In 2019 the allowance was increased from €140 to €150 per week, paving the way for the next stage of the reform which envisages the setting of the allowance at par with the net National Minimum Wage.

Besides the Barthel Index, which applies to persons with mobility problems, an Impairment Rating Evaluation was introduced in 2019 to widen the eligibility parameters to other forms of severe disability.

The same reform has removed the bar to a Disability Pension for persons who, although missing one arm or leg, were not considered eligible at law.

On reaching pensionable age persons with a disability are entitled to a pension equivalent to the Non-Contributory Retirement Pension.

Other measures:

- A Senior Citizen Grant of €300 was introduced in 2012 for elderly persons, aged 80 years and over, residing in their own residence or with relatives. The eligibility age was lowered to 75 in the following year.

- An annual grant is paid to persons aged between 62 and 74 years with a deficient record of Social Security Contributions. Thousands of persons, mostly married women, have benefitted from the bonus which varies between €150 and €250 depending on the number of contributions. (2014 and 2017)

- As from January 2019, the bonus was increased by €50 to €200 and €300 respectively.

- To encourage elderly persons to continue living in their own homes and community, a reform was undertaken in the Carers Pension and the Carers Allowance. The Pension is now known as the Increased Carers Allowance is payable to carers, including spouses, taking care of persons with a high level of dependency. The Carers Allowance is intended for carers of persons with medium level of dependence. In both cases, payable rates have been considerably enhanced, and the means test is no longer applicable in the award of the Increased Carers Allowance. If a married beneficiary of this allowance forfeits the right to entitlement to another social benefit an additional weekly allowance is allowed to every other member in the family. (2017 – 2018)

- The conditions were further enhanced in 2019 to exempt applicants for both allowances from undergoing a means test. Married persons living in the same house with an elderly person became eligible to receive the Allowance for Carers until they reached their pensionable age.

- Elderly persons residing at home and on the waiting list to enter a residential home can avail themselves of an annual subsidy of up to €5,200 if they choose to employ a carer at home. (2017)

- Married couples and single persons, including pensioners, with low incomes benefit from reform of the Supplementary Assistance which entailed higher rates and the raising of the income ceiling for married persons to qualify for the benefit. (2017)
• Means test mechanism reformed to create a single threshold for all Non-Contributory Assistance, including the Pink Card. (2017)

• Elimination of discrimination between males and females in the benefit rates payable under the Social Security Act. (2016)

• Widows in employment and in receipt of a contributory pension have been extended the right to benefit from Sickness Benefits. (2018)

• The Maternity Benefit rate increased to the equivalent of the National Minimum Wage for self-employed women. Maternity Leave entitlement has been extended by a further 2 weeks to 18 weeks. (2013)

• Adoptive parents eligible to leave benefit on the same lines as Maternity Leave. (2015)

• Grant of €10,000 introduced to support adoptive parents to defray the expenses in their quest to adopt children from abroad. (2018)

• The minimum annual rate of Children’s Allowance increased from €350 to €450 for each child. At the same time heads of family on minimum wage became eligible to the highest rate of Children’s Allowance. (2013)

• Children’s Allowances payable to families with a gross annual income of less than €20,000 gross (€18,000 net) were increased in 2019. The highest payable rate went up by €96 to €1,252. This was the first such increase since 2008

• The weekly Foster Care Allowance was further increased in 2010 and 2018 to reach €100 per child

• Orphan’s Allowance extended to orphans in employment. (2018)

• The Disabled Child Allowance payable to parents of children suffering from some form of physical or mental disability was increased in 2014 from €16.31 to €20 per week. The allowance was further increased in 2019 to €25 per week

• Drug Addicts Allowance twice increased to help affected persons pursuing a rehabilitation programme for drug or alcohol abuse. (2016 and 2018)

• In 2019 self-employed persons have historically been extended the right to receive unemployment benefits if they cease their activity and start registering for work, putting them on the same footing as employed persons

• Married couples suffering from chronic illness and in receipt of the non-contributory Medical Assistance became eligible to a weekly increase of €5.14 in 2019

• Single parents are given the opportunity to concurrently benefit from the payment of Social Assistance and a stipend when they take up post-secondary studies. The payable amount of social assistance and the stipend however cannot exceed the national minimum wage. In 2019 this concession was extended to social assistance beneficiaries over the age of 23 who decide to take up studies at the Malta College of Arts, Science and Technology or the University of Malta
The Social Security Act provides for the payment of Medical Assistance to the head of household subject to a means test. An amendment in the legislation in 2019 gave recognition as of heads of household to children caring for their parent/s and in receipt of the Increased Carers’ Allowance or the Carers’ Allowance, if they applied for medical assistance.

Also in 2019 all persons suffering from bipolar, depression by psychosis and terminal illnesses were granted the right to medical assistance if they satisfy the means test criteria.