



Alternattiva Demokratika – The Green Party, P.O. Box 38, Marsa MTP1001
www.alternattiva.org.mt - info@alternattiva.org.mt

Pension reform – Alternattiva Demokratika – The Green Party Updated Feedback to Pensions Working Group – July 2011

The make-up of age groups in society has changed. So have occupational patterns and life-styles. In view of these changes the question of equitable treatment across the generations needs to be reformulated, particularly in the area of old age provision.

As a Green Party, Alternattiva Demokratika believes in a socially just and economically sustainable pensions system which matches rights with responsibilities and which takes long-term interests into consideration.

In the current circumstances, a combination of statutory state pension insurance and private provision has become a must for many people, as this can guarantee both a stable level of contributions and a pension scheme ensuring a good quality of life.

But to ensure social justice the statutory state pension must be set at a rate which reflects the cost of living and expectations for a decent standard of living.

In the long-term, the statutory pension insurance will have to evolve into an enhanced form of insurance for all citizens, all types of income and all occupational groups to ensure that vulnerable social groups are not discriminated against in old age.

Malta's reformed pension system does not solve problems regarding inequalities amongst pensioners, whereby pensions are based on income received during one's life course. Such a system is rigid and inflexible, resulting in further inequalities for people such as carers (for example carers of children, of elderly persons and of persons with disability), people with

non-traditional working patterns, and part-time workers. Women, in particular find it difficult to balance contributory requirements with the competing demands of family life, childbearing and insecure, part-time work.

Malta's pensions policy should not be based on one family model, but to the contrary should be inclusive of different types of families including marriage, cohabitation, single-parents, same-sex couples and single persons'

1. Long term goal

As regards the State pension, AD believes in the long term goal of a universal Citizen's Pension, which, rather than being based on National Insurance contributions, is based on the belief that all citizens make positive contributions to the economy and society through their paid and unpaid work, thus resulting in equal pensions which reflect the true cost of living. Such a pension can have positive multiplier effects on the economy due to increase spending power for pensioners from lower socio-economic strata.

Prospective pensioners who want to keep the same standard of living they currently have should be encouraged to supplement this citizen pension by investing in private pension funds. We understand that this reform will have an impact on state finances and its introduction should be gradual.

2. Short term proposals

Keeping the pensions system as it is is not an option, as this will ultimately lead to financial collapse and to poorer pensioners. We therefore agree that in addition to the compulsory first pillar, a second pillar should be introduced wherein Government ensures the sustainability of the pensions system and ensures that people save an extra amount of money which will be used solely for pension purposes, and will not be used by the Government for other reasons. We believe that the second pillar should however be introduced in a responsible manner, thus avoiding shocks in people's quality of life'

However, we do not agree with the requirement wherein one would have to have worked 40 years to be entitled to contributory pensions, especially in this day and age of precarious employment, individualization of lifestyles

and employment, as well as other realities such as having people moving in and out of labour force due to factors such as unemployment, care work (for example with persons with disability and elderly persons) and parenthood. Many people tend to enter and exit the labour market, as well as change jobs, for various reasons, some out of choice and others due to constraints over which they have no say. Hence, irrespective of the number of years worked, one should be guaranteed the right to a decent pension. In particular, low and middle income earners should be guaranteed a decent quality of life in their later years. More emphasis should be made on having the lowest-paid pensions based on realistic cost-of-living calculations. Social justice should be prioritised.

3. Pension Fund

To ensure sustainability, a pension fund should be established which is used exclusively for payments of pensions or investments which generate profits for the same fund. The fund should be financed through social security contributions. The fund should be administrated by the state but its board should include representatives of the social partners represented in the Malta Council for Social and Economic development. It should be subject to the scrutiny of the Auditor general. The day to day running of the fund should be in the hands of a professional management.

4. Pension Age

All workers should be eligible for a state pension at the age of 65 years (or 60-64 for those in transitional years to 2018, in accordance with Malta's pension legislation) without losing their right to remain part of the workforce. In this sense

AD favours a voluntary retirement age system to ensure that everyone is left free to work for as long as she or he likes but at the same time nobody should be forced to work beyond the age of 65 years (or 60-64 for those in transitional years to 2018, in accordance with Malta's pension legislation). An independent commission should consider whether a different age for pension eligibility should be set for physically or mentally demanding jobs.

The government should also introduce schemes which encourage industry to recruit these persons in occupations which are not physically or mentally demanding.

AD agrees with Government's decision to allow pensioners to keep working should they choose to do so. However, this should encourage initiative, rather than stifle it with bureaucratic hurdles. The fact that civil servants of pensionable age who work on a part-time basis are not taxed accordingly, but, rather as if they are full-time workers, is a case in point.

5. Labour Force

It is evident that the size of Malta's labour force should increase in order to guarantee sustainable pensions. In particular, Malta's low participation rates of females, ageing workers and immigrants is of concern. Malta's social policy should be reformed accordingly. For example it should encourage increased participation of females by having more family-friendly social policies. Increased involvement of men in caring roles is also of utmost importance.

6. Education

Education plays an important role in the pensions issue. In particular the younger generations should be made more aware of future needs and long-term issues which will effect them in their later years. This is of particular importance especially when we are living in a here-and-now consumeristic society.