

News

Social benefits for the self-employed: from policy to practice



SEMIRA
ABBAS SHALAN

The system of social benefits for the self-employed has led to several discussions on whether they are viable for the Maltese self-employed, as well as a discussion on adopting new systems following examples of other countries.

The Malta Federation of Professional Associations today organised a business breakfast with the Social Security Department, in commemoration of 66 years of social security in Malta, to discuss the theme of social benefits for the self-employed person, from policy to practice.

Speaking at the conference, CEO of the MFPA, Norma Camilleri, said that the MFPA seeks to create a synergy between the different opportunities for the self-employed within the professionals of the association. She said that the project *Mutuas*, a project co-financed by the European Union, is focused on the extension of social protection to the professional self-employed, considering that social rights are a priority. The project concerns social dialogue within professionals, Camilleri said.

President of the MFPA, Benjamin Rizzo, explained that Malta needs to find a holistic system for social benefits which works well for the island, rather than follow examples exclusively from foreign countries. He also said that new social benefits could become of interest to foreign countries, which they can also adopt.

Rizzo said that there are many issues of interest with regards to social benefits, as well as pensions, for the self-employed. Director General of the Social Security Department, Grazio Barbara, made his speech on the progress the department has made over the years by increasing as well as improving a number of social benefits which concern and benefit more persons.

"The year 1956 is an important year in the Maltese calendar when it comes to social protection, not because before this year there was no legislation that offers help to those most in need, but because due to the two laws, these being the introduction of the National Assistance Act and the National Insurance Act, it has benefited more citizens", Barbara said.

"In fact, in 1948, the introduction of the Old Age Pensions Act was to give a pension to those elderly people who had never worked, where the applicants had to pass the means test", Barbara said.

Barbara spoke about the important step taken in 1987 when the two laws, together with the one on old-age pensions, were consolidated into one to create the Social Security Act,



Director General of the Social Security Department Grazio Barbara

which is now the guide for the department to pay social benefits.

Barbara said that over time, measures have also been introduced, so as to qualify more self-employed people for more contributory benefits.

"Perhaps the most notable is the Two-Thirds Pension, which was introduced in 1979. This is related to the net income that the person has, what is referred to as 'earnings related'. Of course, the Social Security contribution also began to be paid according to income, where before, there was a single stamp duty rate as well as a single pension rate", Barbara said.

Barbara also spoke about the widow's pension, where if the widow, is entitled to a pension in her name in the context of self-employment, then she is entitled to the same pension rate as her late husband would have been paid. Barbara remarked that should the widow's pension be higher than her husband's, she would receive the highest pension.

He further said that with the pension reform, for those born after 1 January 1962, the pension is calcu-

lated in addition to the number of contributions paid, over the best 10 years during 40 years of employment.

"This is an advantage for all those whose income in the last 10 years may not have been the highest, when compared to those years prior", Barbara said, adding that with this reform, whether a person is an employee or self-employed, everyone will have the same method of assessment for calculating their pensions.

He said that self-employed people can also benefit from a percentage incentive on the applicable pension rate, with the pension reform announced in 2005.

"Initially, a self-employed person had certain limitations for which short-term benefits they could qualify for. For example, when the self-employed became ill, the sickness benefit was granted only to those who paid the lowest stamp duty, and therefore to those who had the lowest income. This condition is no longer valid nowadays, and anyone who is self-employed, and who submits the blue medical

certificates, as well as satisfies the test of contributions, is paid the sickness benefit", Barbara said.

Barbara said that nowadays, the entitlement to benefits for the employed person is also the same for the self-employed. He added that entitlement to social benefits has always evolved to regard the self-employed as equal as other workers, and enable them to enjoy the same payment entitlements on all types of self-employment.

Barbara mentioned that the government is giving incentives in taxes, so that more people can resort to private pensions, in addition to the normal pension.

The floor was given to a panel discussion between CEO of the Malta Chamber of SMEs Abigail Mamo, Deputy CEO at the UHM Voice of the Workers Gian Paul Gauci and President of the General Workers Union Victor Carachi.

The speakers spoke about abuse done to and by the self-employed, as well as instances of exploitation of the self-employed.

Gauci said that despite there being a legal notice by the UHM in 2012, there is not enough awareness or intervention on unpleasant conditions for the self-employed, but rather they are faced with the option of either accepting these conditions, or ending up unemployed. He also said that there are companies who abuse of a self-employed worker providing a service to the company, by imposing certain conditions and hours.

Mamo said that there are certain grey areas when it comes to abuse on the self-employed, as there have been cases where self-employed groups would work and serve companies, whilst desiring for their status to remain as self-employed. The company would however always try to impose conditions across the world of employment.

Gauci also said that a platform where one needs to register their work contract, whether self-employed or not, should be proposed, so as to continue to legislate and

avoid abuse of the self-employed, especially when it comes to third country nationals working on the island.

With regards to mandatory membership of a union, which has been proposed by the PL during the last electoral campaign, the speakers said that mandatory membership of a union is a model adopted by several countries, which strengthens social dialogue as well as improves working conditions.

"We will never be against the principle of improving conditions and strengthening social dialogue, however there is no agreement among social partners as to how to reach this goal", Mamo said.

Carachi said that whoever forms part of a union would still benefit from freedom of association, since workers can create a union of their own. Importance is further given to abuses being reduced, where unions serve as a guide for enforcement of better conditions within the workplace.

Carachi answered a question on the enforcement and penalization towards a person enacting abuses towards an employee or a self-employed person.

He mentioned the case of the injured migrant worker, who was left on the side of the road by his contractor, after falling on a construction site. The 32-year-old man from Ghana was left abandoned by his employer as he did not have a proper work permit. He said that where applicable, the licenses of those who commit abuses should be revoked, and not just be given a fine as according to the gravity of the situation.

Asked if there is a difference between the self-employed professionals and those who are not, Mamo said that there should always be a certain standard between the two, as professionals need to maintain a certain level of control and standard. She said, however, that informality can bring about certain damage to those who operate in a serious way, damaging the sector in itself.



From left: President of the General Workers Union Victor Carachi, Deputy CEO at the UHM Voice of the Workers Gian Paul Gauci, CEO of the Malta Chamber of SMEs Abigail Mamo, and moderator Neil Camilleri, Editor-in-Chief at The Malta Independent