

Budget 2015

Proposals

Introduction

Union Haddiema Magħqudin (UHM) is pleased that its efforts in making its Jobs+ policy a reality are coming to fruition. The National Employment Policy (NEP) published this year confirms the validity of the Jobs+ policies put forward by this union. UHM is pleased that the NEP has taken into account as well some of the budget 2014 proposals, such as the need of in-work benefits and social enterprises.

In addition, UHM is satisfied that its free child care proposal is working formidably. The more beneficiaries there are the better it is as more females remain in the labour market. This was another proposal put forward by UHM before the general elections. The union however notes that despite government pledged to improve the co-operative's legislation, to date no new legislation has taken place.

The proposals put forward in this document are a continuation of the union's policy in addressing labour market needs while ensuring social justice across the board. The proposals mentioned herein refer to i) make work pay & work ethic, ii) pensions, and iii) environment.

Make Work Pay & Work Ethic - Proposals

Malta's unemployment rate is among the lowest in the European Union, yet the union is concerned that a number of Maltese jobseekers still cannot find a job. The fact that half of the new jobs are taken by foreigners is alarming. In line with the pre-budget document, UHM believes that time has come for government to consolidate its make work pay policy by addressing the following:

- **Introduction of in-work benefits which significantly decrease the poverty trap.** As part of its proposals for budget 2014, UHM suggested the introduction of an in-work benefit worth up to a maximum of €900 for every child for families with low income. Together with the tapering of social benefits, such benefit aims to increase the incentive of taking up a job, reduce in-work poverty and reduce employment in the black economy. Government should make sure that different income thresholds apply such that married families are not put at a disadvantage. This measure would not cost the government more than €1.8

million per annum. This measure would not only attract more people in the labour market but it will also serve as a means to reduce the at-risk-of-poverty among the working poor.

- **Reform the social security act.** A thorough exercise should be done to amend any clauses in the social security act that promote dependency at the expense of employment as is the case with single parents. In addition, government should also address certain anomalies in the social security act. By way of example, it is unjust that persons who paid social security contributions and live with their pensionable parents are not entitled to unemployment benefits after the elapse of 6 months while someone without any contributions can be eligible for benefits as long as he or she is registered as head of household.
- **Reinforce the work ethic principle among youths.** Unfortunately, some youths are giving up on work and instead prefer to remain not in employment, education or training. Although Malta's NEET rate at 13% is considered to be one of lowest in Europe, this form of social exclusion enhances the possibility of hardship later on in life. UHM recommends that the Employment and Training Corporation delivers more training initiatives that reinforce the work ethic among such youths.
- **Invest more in the training of workers.** Work can pay more if workers are more productive. Now that EU funds from the programming period 2014-2020 are available, government should re-launch training schemes so that employers can step up their training efforts. Government should mainly promote such incentives among low-to-middle skilled workers.

Pensions Proposals

It transpires that the at-risk-of-poverty among pensioners exceeds the 20 per cent mark. Pensioners are amongst the most vulnerable groups in society as their income is in great part dependent on social transfers. To this end, UHM's pension section is putting forward the following suggestions:

- UHM urges government to take serious actions on pension reform. This country has for long postponed important reforms that should have been in place years ago. In the absence of any concrete actions, the sustainability of the first pillar is questionable. On the other hand if the second pillar is not legislated, there is the risk that for most pensioners' complete retirement won't be possible. For many the third pillar is simply not an option.
- All public officers entitled to a service pension who served in the public sector, in the army, as police officers, officers in the correctional facilities and others, are entitled to both a service pension and a retirement pension. Unfortunately, these pensioners have suffered an injustice for a number of years now since their retirement pension is paid at a reduced rate. The Pensioners' Section is of the opinion that this injustice is rectified and such beneficiaries should start receiving the full retirement pension as from next year.

- In its electoral manifesto, this government promised that the Guaranteed National Minimum Pension should be pegged to 60 per cent of the National Median Equivalised Income. The Pensioners' Section urges government to start delivering on such promise.
- When a member of a couple passes away and both pensioners are eligible for a retirement pension, government should grant the highest pension to the survivor in full. In addition, Survivors' Pensions should continue to be awarded at the full rate instead of the current 4/5 rate.
- Pensioners' consumption patterns are somewhat different from that of other families. Hence, the compensation for the cost of living may not be adequate. Thus, it is being suggested that NSO should carry out an exercise to determine whether pensioners should be compensated at a higher rate.

Other Proposals

- Mothers working on reduced others should have the facility to declare their income as if they are working on part-time basis. To date, a mother who is working on part-time basis may benefit from the 15% withholding tax, whereas a mother on reduced hours can either pay no tax at all but the husband pays his dues according to the married tax computation or else the mother's income would be added to that of the spouse. In both cases the mother on reduced hours is at a disadvantage.
- Mothers who have just had their children and work in the private sector do not have the option of a career break. Their only choice they have if they would like to spend more time with their child is to give up work and get back to work later on. Hence, it would be socially just if such mothers benefit from social security credits for a specified time on the condition that they return to work thereafter.
- Members of disciplined and similar forces should be paid overtime rates for hours beyond the weekly established number of hours.
- Employees who provide a service on request from third parties (eg. Customs Department and Police Department) should have their income considered as part-time and taxed at 15%.
- UHM is suggesting that all employers should be members of an Employers' Association. Such association would ensure that all employers abide by the Employment and Industrial Relations obligations; hence employees' rights would be reinforced.
- UHM reiterates its proposal for government to step up its efforts in tackling tax evasion. Better coordination between the Inland Revenue Department, VAT Department, Customs Department, Transport Malta and the Lands Department, would make it possible for

government to observe income and consumption patterns, hence identify any possibility of tax evasion.

- The National Employment Policy launched this year had many positive aspects. UHM is of the opinion that the issue of skills mismatches should be given priority. Hence, it is suggesting government to invest more in this area and take the appropriate actions to identify and address any mismatches that are present in the labour market.
- Year-on-year the number of persons in employment is going up. Economically this is very positive but little attention is given to any adverse effects that this may cause. For many families, work-life balance is an issue and as a result many individuals may experience excessive stress. UHM is recommending government to launch an information campaign on how to cope with stress and where to seek help if need be.
- One of Malta's Country Specific Recommendations is on the Apprenticeship Reform. The Commission notes that the apprenticeship reform is overdue. UHM urges government to take this reform seriously as it may be the case that apprenticeship is not yielding the desired results. In addition, government should ensure appropriate monitoring during work placements in order to lessen any form of abuse.
- NGOs that organise international events should have the chargeable VAT on the accommodation of their guests waived.
- In the budget for 2014, government announced a number of changes vis-à-vis the cooperatives sector. The Union acknowledges that discussions took place but so far nothing materialized. The implementation of such measure should take place without any more delays.
- Positive discrimination in favour of social enterprises is common practice in many Member States. At a national level, such positive discrimination is still absent. Government should consider the introduction of positive discrimination in public procurement so as to favour service providers who employ employees with a disadvantaged background such as persons with a disability.
- Government should consider legislating in favour of Credit Unions. Credit Unions are not-for-profit financial institutions that lend money for social purposes at a fee or a reduced interest rate. Credit Unions mainly serve that part of the community that has limited resources and cannot access credit from proper financial institutions.