

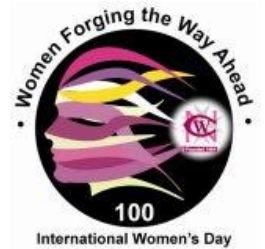


# National Council of Women

Affiliated to the International Council of Women

Pope Pius XII Flats  
Mountbatten Street  
Blata 1 - Bajda HMR 02  
MALTA

Tel: 21248881 – 21246982  
Fax: 21 246982  
ncwmalta@camlin  
<http://www.ncwmalta.com>



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## NCW Comments and Recommendations on Strategic Review on the Adequacy, Sustainability and Social Solidarity of the Pensions System 2010 Pensions Working Group

### Final Report Malta

#### Introduction

According to the modelled projections carried out for the period 2010 to 2060 in this report, *'the average pension replacement rate of First Pension will fall to 45% by 2060. Against this backdrop the Working Group argues that the Pensions System, will fall short of securing over time an average pension replacement rate that will bridge to the degree possible the quality of life to be enjoyed by a pensioner as compared to that enjoyed during his or her employment – a cardinal objective that a 45% replacement rate to the average wage will not secure even if one had to consider the fact that a pension is complemented by out health care and social security pensioner directed benefits'*

- According to the Working Group Report and well established evidence the First pension, as a PAYG system is intrinsically tied to
  - a. demographics
  - b. active labour market participation
- It is now clear that all pension schemes, regardless of financing method, can be affected both, but in different ways, by economic crises as well as by ageing.

#### NCW comments

NCW believes that policies in seeking solutions for sustainable pension systems should **give equal importance to both statements above. There can be no effective economic, sustainable medium to long term results without a strong social element in any pension system reform policy**

- NCW believes that **automatic adjustment mechanisms for retirement age (a)** based either on longer life expectancy or demographic change are dangerous for society as a whole.
- Projections on demographics should be analysed to ensure adequate and timely adjustments of pension systems. Such projections must be used with care, as it is hard to predict in the long term<sup>1</sup>.

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<sup>1</sup> Projections carried out in 2000 for 2010 by the OECD, Eurostat and the United Nations did not match actual developments

- Raising the legal retirement age on its own can result in pushing the elderly and particularly women below the poverty line. Problems such as intensity of work, health problems and early dismissal may be counter productive
- Parallel initiatives should be embedded in a strong active labour market policy with government and strong social partners involvement and ETC, training and on-the-job training schemes and Lifelong Learning programmes making better use of partnerships with other stakeholders, including NGOs and Local Councils and the creation of new jobs for effective growth and productivity.
- The needs of the different age groups should be addressed with specific focus on youth unemployment (active labour market policies)

**Reinvigorating active labour market policies (b).** active labour policies, vocational training, investments and innovation promote the creation of more and decent workplaces so stabilising the pay-as-you-go schemes existing in the Member States.

These schemes are powerful "shock-absorbers" in times of crisis and should not be considered a burden on the public deficit.

- Increasing an effective retirement age needs to be supported by initiatives to foster extended working life with effective growth employment policies and a real active ageing policy in line with the EU2020 strategy and innovation policy as highlighted in the Europe Innovation Flagship.
- Extending employment is relevant to all the goals of the Europe 2020 strategy. The social partners must be included in the initiatives oriented towards increasing the employment rate to 75% of the active population for men and women.
- Measures for integrating young people in society and working life, particularly in employment and employability programmes for early school leavers need to be strengthened.

The strengthening of a Digital Agenda policy and its implementation is highly relevant to a secure pensions system for the next generation<sup>2</sup>

Current employability measures need to be monitored and evaluated and adjusted for better outcomes rather than numbers in targeted groups (*Malta's employment rate target is 62.9% by 2020, falling short of the EU Strategy of 75%*)

Adequacy and sustainability of pensions should be considered as a priority both from a **macroeconomic and a social perspective**. This is a vital issue for the economy, and so the competent authorities should **consider looking for sources of funding or ways of complementing it, other than levies on salaries, to help financing the pension systems**.

- Calculations of poverty risk for pensioners' households based on the general Eurostat method fail to shed sufficient light on pensioners' exposure to poverty, given the different income and expenditure structure of these households.
- A better method for estimating pensioners' exposure to poverty should be developed. It could also monitor the adequacy of retirement income, taking into consideration the different situations of each household member.

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<sup>2</sup> EESC Opinion TEN/426 A Digital Agenda for Europe

- More statistical estimates should be carried out to evaluate the adequacy of pensions in the light of their ability to prevent poverty in old age and to ensure decent living standards for pensioners, allowing participation in public, social and cultural life<sup>3</sup>. Policies regarding the adequacy of pensions are the responsibility of member states and need to be defined at national level.

The Working Group Report states that the low activity rate stems primarily from two population cohorts

a. the female participation cohort

b. the 45 aged and over female cohort that opt to remain out of the market once they opt out for family responsibility reasons or those who have never participated in the first instance

### **NCW recommendations on low female participation**

- Different retirement ages for women and men should be reviewed.
- There is the need to review the minimum number of years for a full pension entitlement in the case of women.
- When combined with women's lower retirement age, the interrelationship between benefits and demographic factors puts women at higher risk of poverty in old age.
- This adds to women's already higher risk of earning lower pensions as a result of lower wages (gender pay gap), longer parental breaks and higher risk of long term unemployment. Women's careers are also more unstable.
- Improved provision of care facilities for children and elderly can help considerably many women entering and remaining on the labour market.
- A proper assessment on how to address the lack of female participation in the labour market of the 45 and older is lacking. There is the need for a study to provide indicators to adequately address this cohort
- There is a growing interest in Lifelong Learning Programmes for adults both men and women of all ages in employability skills, especially in IT. These programmes should be carefully monitored, evaluated and improved in order to ensure increased female participation as a result of these programmes

### **Addressing Social Exclusion and Poverty**

Has the European Year 2010 realistically created an EU awareness of the risk of increasing social exclusion and poverty;

***Will the EU 2020 Strategy have an impact on poverty?***

***There is the need to address new forms of poverty***

It is vital to enhance initiatives (under the current Europe 2020 strategy) to create opportunities for work, with special measures for the most vulnerable

- Enhancing employability and establishing conditions for businesses to create jobs and employees to remain in employment if they so wish. Promoting longer working lives requires joint efforts on the part of the state, employers and individuals.

**Addressing mismatches, lack of skills, in particular IT skills and planning a strategy for 'green jobs' can provide for the creation of new jobs**

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<sup>3</sup> Private pension schemes, European Commission, 2009, page 5.

- Employers need vigorous support to provide more jobs for older workers, who quit work early due to health problems and working conditions, the intensity of work, early dismissal as well as due to lack of opportunities for training or re-entering the labour market.
- Elderly people should also be encouraged and stimulated in order to enhance their employability and to remain active in the labour market.
- Given that the right to retire is a fundamental right, any automatic increase in legal retirement age should not be considered as it is a separate issue, distinct from that of the length of time spent contributing or paying in.
- Strengthening public finances requires integrating efforts in supporting quantity and quality employment, improving flexicurity and raising productivity and economic performance. There is also the need for financial incentives to continue in employment, including for self-employed workers, a workplace friendly environment and changing corporate attitudes to older employee (innovative workplaces)

The following measures must also be promoted to offer new choices to older workers:

- introducing a bonus system to encourage workers to continue working beyond the legal age of retirement: benefits accrued after reaching retirement age should be more attractive than those acquired previously; *although this measure has been introduced, the tax system applied is financially disincentivising*
- offering comprehensive advice and support for jobseekers and rehabilitation measures for long-term reintegration into the labour market;
- implementing socially acceptable incentives for later retirement and, where desirable, development of attractive models for a flexible transition from work to retirement;
- measures alleviating the physical and mental burden of work enabling employees to remain longer in employment;
- encouraging older workers to upgrade their skills;
- awareness-raising among older workers and companies, especially SMEs, about innovative staff management and organisation of work favourable to older workers<sup>4</sup>.
- intergenerational work relationships, including transfer of knowledge at the workplace can encourage older workers to adjust better and remain in employment
- The innovative concept (innovation is one of the seven EU 2020 flagships ) should also be the basis of current and new active labour market policies and 'active ageing' measures which set with specific targets and result in accountable outcomes

**The New Working Group recommendations: Page IV-X**  
**04 NCW recommendation: Amending the Child Rearing Credit System**

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<sup>4</sup> EESC opinions OJ C 256 of 27.10.2007, p. 93 and OJ C 228 of 22.09.2009, p. 24.

The eligibility for the Child Rearing Credit should be amended so that the age of each child, first second or third be raised from 6 years to **10 years** with a credit raised to 4 years subject to the condition that the beneficiary returns to an employment period raised to 4 years

The same measure should be applicable to cases of children suffering from a disability. This change will affect parents between 35 and 45 years and will serve as an incentive for this cohort to seek employment

## **06 NCW Recommendations on addressing the fertility rate and work/life balance**

In line with the priorities of the **EU2020 Strategy** and the revised **Commission Working Time Directive**, there is the need for a **national policy, a package of maternity, paternity and family-friendly measures for both the public and private sector whilst taking into consideration the situation of SMEs to increase the participation of women in the labour market** and at the same time take responsibility for the social aspect and health and safety of both mother and child.

This will ensure a level playing field in the sharing of costs and benefits for maternity and paternity leave both by private and public sector, offering opportunities for an increase in female employment rates both in the short and long term

The costs of maternity and paternity leave need to be addressed through a wider perspective. There is the need to clarify that the primary aim of the controversial **Directive 92/85 EEC on maternity leave** is to introduce measures to encourage improvements in the **safety and health at work of pregnant workers and workers who have recently given birth or are breastfeeding**. The second aim is to pave the way for a **sharing of family care and work responsibilities for both men and women**.

Although a number of financial incentives have been introduced by government in the last 5 years, the participation rate of women in the labour market has increased by **4%** only. **Therefore there is the need to address the real obstacles which concern increasing time spent with the children in the most crucial times such as during the post-natal period among others**

### **NCW recommendations**

- In the current state of affairs where the proposed directive should be taken up again under the EU Presidency (second half of 2011 Poland) for further negotiations (after the negative vote by the Council of Ministers), government in agreement with the social partners has time to consider the reform of maternity and parental leave payment by
- **negotiating with social partners for the extension to 18 weeks in a staggered manner on a yearly basis**
- **Reaching agreement on sharing of financial costs by government and employers to cover the costs of 18 weeks and to decide on how the payment for 18 weeks maternity leave should be made**
- **introducing financial incentives for private sector who introduce positive action of maternity and parental leave**

- **Research study on the cost of non-participation of women of child rearing age in different occupations( currently being carried out by Ministry of Finance)**
- **Use of European Structural funds and ETC Schemes for the provision of supply workers during maternity and paternity leave**
- **Introduction of a Maltese legal framework for Temping Agencies**
- **Collective agreements with options to include lifelong learning opportunities by employers for women and men on parental leave or career breaks**
- **Government needs to further expand and subsidise care services for children and for sick, disabled and elderly people, and enhancing their accessibility, through private/public partnerships through Structural Funds**
- **Introduce a framework for child minding services within the community for those mothers who can use adequate facilities at their home to offer the services**
- **Legal provision on paternity leave in order to encourage sharing care responsibilities between mothers and fathers to be raised to 2weeks non-transferable**

### **Recommendations 07,08,09 Reform of the invalidity and disability pension system**

NCW agrees with the need to reform the invalidity and disability pension; however care should be given to ensure that the criteria realistically address the needs of individuals on a case by case basis to ensure that there are no health, psychological, emotional or physical risks for the individual at the workplace

### **Recommendations 10-16 Participation of Women in Employment**

NCW supports these measures and urges government to introduce them with urgency

**11.** NCW agrees that Local Councils should be given the financial and human resources to provide the necessary infrastructure and professionals to introduce before and after school services at locality level for different age groups up to secondary level on a voluntary basis

**12-13.** As explained in 06 there is the need for a national plan to ensure that the employers in private sector are partners with equal responsibility

### **Recommendation 14. Undeclared domestic work**

According to the ILO report drawn up for the conference held in June 2010<sup>5</sup>, in industrialised countries, domestic work accounts for between 5% and 9% of all employment. The report's introduction states that *"paid domestic work remains virtually invisible as a form of employment in many countries. Domestic work does not take place in a factory or an office, but in the home. The employees are not male breadwinners, but overwhelmingly women. They do not work alongside other co-workers, but in isolation behind closed doors. Their work is not aimed at producing added value, but at providing care to millions of households.*

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<sup>5</sup> See the ILO document *Decent work for domestic workers*, IV Report to the International Labour Conference, 99th session, 2010, at:

[http://www.ilo.org/wcmsp5/groups/public/@ed\\_norm/@relconf/documents/meetingdocument/wcms\\_104700.pdf](http://www.ilo.org/wcmsp5/groups/public/@ed_norm/@relconf/documents/meetingdocument/wcms_104700.pdf).

*Domestic work typically entails the otherwise unpaid labour traditionally performed in the household by women. This explains why domestic work is undervalued in monetary terms and is often informal and undocumented. It tends to be perceived as something other than regular employment, as not fitting the general framework of existing labour laws despite the fact that its origins go back to the “master-servant” relationship. As a result, the domestic employment relationship is not specifically addressed in many legislative enactments, thus rendering domestic workers vulnerable to unequal, unfair and often abusive treatment”<sup>6</sup>.*

## **NCW Recommendations**

- Further research in order to obtain more precise data on the regulations, working, employment conditions and social protection of domestic workers and the application of these rights Existing studies are limited in scope
- Introduce legal solutions including provisions in the areas of tax, social insurance, labour law and civil law, increasing the motivation of households to employ registered domestic workers, and potential domestic workers to take on work based on a legal contract. There are usually economic reasons for the tendency to employ informal workers and to take on informal work, as this kind of work is more favourable than registered work for both sides
- Action to reduce the difference in these benefits and must also be backed up by action tailored to local social and cultural conditions through Media campaigns, by constituted bodies representing women, examples set by public figures and information about the risks associated with informal work.
- Draw up advice and recommendations for private individuals who are employers and the domestic workers they employ and make them commonly available. Promote information/training on the obligations and rights of employers and workers, especially where schemes exist to provide subsidies or tax deductions for employers.
- Further develop existing reference guides, describing the tasks and responsibilities, qualities and skills needed to perform high-quality domestic and family work
- Move towards a form of labour organisation that allows for replacements at the homes of employers or clients (without such arrangements, rights to leave, sick pay, maternity leave and training will remain a pipe-dream)
- Provide for the certification of experience and lifelong learning to ensure that the value of this work is recognised and that employers or clients have guarantees of the professional abilities of all employees, both male and female.
- Identify, reduce and prevent work-related risks inherent to domestic work, guarantee conditions that are no less favourable than those enjoyed by other workers in terms of health and safety at work and social security benefits, including maternity leave and retirement pensions.
- Combat the considerable amount of illegal work in this sector and protect migrant women who are in irregular circumstances and suffer abuse

## **Recommendation 18 Atypical work**

NCW agrees with this recommendation, irrespective of the number of employers the person is engaged with working on a 40 hour week on an atypical basis. This measure will serve to curb abuse by employers who do not ensure that the full contributory entitlement by both the person and an employer are paid with the consequences followed such as loss of entitlement to sick leave and adequate pensions among others

**Recommendation 20.** NCW believes that caution should be exercised in **linking the official retirement age of the First Pension system to a retirement age – longevity index** as stated earlier on

### **Recommendations 22-23 Survivors pension**

NCW supports these recommendations which were put forward by NCW in the first phase of the consultation process

### **Recommendation 24. Contributions re gap in employment**

NCW believes that the recommendation to consider amending the Social Security Act to allow persons who have a gap of up to five years in their contributory history as a result of following higher education **should also be extended to other persons, giving them the opportunity to fill those gaps in their work history due to other reasons including family responsibilities, care of the elderly and previous outdated labour law which obliged women to resign on marriage**, where other measures have not provided for this measure. This is very crucial in the case of women as previously stated who in the majority have difficulty in reaching the number of years necessary for pensions entitlement

### **Recommendations 25-38**

**25.** NCW agrees with the recommendation of a Notional Defined Contribution First Pension System that however requires careful study. NCW is of the opinion that this proposal should be discussed at MCESD and Civil Society and by all political parties for consensus as suggested with regards to other sensitive issues in the Report

**28.** NCW agrees that the introduction of a Mandatory Second Pension should not be delayed. It should ensure access to individuals at all levels.

NCW supports a mix of Pay-As-You-Go schemes and funded-pension schemes packages in case of mandatory Second Pension systems. However it strongly believes that the State must always be responsible to ensure security if the Pay-As-You-Go schemes were to shift partly towards funded pension schemes and the result must avoid creating inequalities and jeopardising the income of future pensioners. NCW reiterates that the **Second Pensions fund should be separate from all other social benefits systems**

### **Recommendations 33-37**

NCW supports proposed incentives to encourage persons to invest in Third pension systems

**Recommendation 38.** NCW believes that the recommendation proposing the introduction of a regulated home equity release market requires further and deeper discussion by stakeholders and financial experts



### **Recommendation 39**

Although NCW sees the objective of the proposal regarding the Children's allowance, it is concerned that this proposal goes against the scope of its introduction in the first place – that is to be used by parents for children's needs at that moment in time. The introduction of this recommendation would, therefore mean that the need does not exist and therefore that the measure is unnecessary

40 This recommendation can be turned in to a stand alone measure to encourage parents to invest in a pensions account without reference to the Children's Allowance

**Recommendation 41- 44** NCW believes that financial literacy should be introduced at all ages

- This should be done not only through the Personal and Social Development classes in the school curriculum at Primary and Secondary level but also through other subjects such as Economics, Mathematics, Home Economics etc. Financial literacy should be included at post secondary, tertiary and University level.
- The importance of Improving the Quality of Teacher Education through the B. Educ Courses and PGCE is necessary to ensure that professionals in our education system at all levels are equipped with the necessary skills for the education of our children to ensure they are more prepared for today's challenges.
- Lifelong learning programmes and national information campaigns should also be introduced by relevant authorities

*Grace Attard*  
*NCW President*