Adequacy Assessment of Contributory and Non-Contributory Unemployment Benefits as of 2024

Monitoring Report

Final
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In July 2024, the Strategy and Implementation Division (SID) within the Ministry for Social Policy and Children's Rights (MSPC) commissioned a Monitoring Report (MR) to examine the adequacy of the contributory and non-contributory unemployment benefits. The MR was guided by the following Terms of Reference (ToRs):

(a) Assessing the adequacy of the unemployment benefits as of 2024 and determining how well these benefits meet the needs of the unemployed population.

(b) Evaluating the changes to contributory and non-contributory unemployment benefits carried out between the IA and the MR and their impact on their respective NRR adequacy level.

(c) Concluding the findings and providing recommendations where appropriate, supporting potential improvements to unemployment benefit structures.

Methodology

All of the modelling in the MR is carried out on the TaxBen Model (TBM) V2.7.0. A granular analysis outside of the TBM on a simple Excel spreadsheet is carried out to assess the Unemployment Benefit Net Replacement Rate (UB NRR) performance of single persons earning 100% (minimum threshold), 120%, 150%, 165% and 175% (maximum cap) given that the TBM is not designed for such analysis. A similar granular analysis was carried out concerning the Special Unemployment Benefit (SUB) for households ranging from a single person to a head of household and seven eligible members for support.

The Independent Assessor (IA) (in 2022) applied a 65% EU median benchmark, commonly referenced but not mandated by the EC. The MR compares results with the previous flat-rate mechanism, assessing the new system's adequacy. Subsequently also incorporates the European Commission's Joint Employment Proposal (EC JEP) 2024 indicator of 67% of Average Wage (AW) to evaluate UB and UA NRRs. The EU Minimum Wage Directive (MWD) thresholds—60% of Guaranteed Minimum Wage (GMW) and 50% of AW—mark a key policy shift, aligning with the European Pillar of Social Rights. The MR reviews these benchmarks together with internationally recognised indicators (IRRIs) to create a robust framework for assessing UB, SUB and Unemployment Assistance (UA) adequacy and equity, ensuring alignment with EU standards and poverty alleviation goals.

Evaluation of the Unemployment Benefit Net Replacement Rates under the 2024 Earnings-based Mechanism

The 2024 TBM UB NRR results show notable improvements in adequacy across all IRRIs compared to 2021:

- National Minimum Wage Net Replacement Rate (61.1%)**:** Exceeds the ILO benchmark (45% and 50% of AW) and approaches the EU median (65%), reflecting enhanced support for low-income earners.

- Average Wage Net Replacement Rate (50.1%)**:** A significant increase from 24.7% in 2021, surpassing the ILO benchmark (45%) but still below the EU median (59%), indicating progress yet highlighting adequacy gaps for average earners.

- 67% of Average Wage Net Replacement Rate (64.9%)**:** A sharp rise from 34.4% in 2021, aligning closely with the EU median (65%) and exceeding the ILO benchmark (45%), demonstrating robust support for median-income earners.

The MR concludes that the new earnings-based mechanism provides a strong safety net, exceeding ILO benchmarks across all IRRIs while aligning more closely with EU standards. The TBM UB NRR assessment shows that the UB NRRs surpass EU MWD benchmarks, achieving 63.7% (against a 60% benchmark) for low-income earners and 68.8% (against a 50% benchmark) for average earners. This reflects robust income replacement for vulnerable groups and average workers, aligning with EU poverty reduction and fairness goals. The shift to an earnings-based mechanism since 2021 has enhanced equity

and adequacy of the unemployment benefit, addressing prior gaps for those near the NMW or median income.

Table I presents how the UB NRR performs across the IRRIs and EU MWD benchmarks over the six-month entitlement period. It highlights the phased tapering structure—60% for the first four weeks, 55% for the subsequent 10 weeks, and 50% for the final 10 weeks—and its impact on the UB NRR's across each tapering phase.

Table I: Results of UB Net Replacement Rate Across Tapered Phases Over the Six-Month Entitlement Period Using the TaxBEN Model

Earnings Indicator	Unemployment Benefit Net Replacement Rate over the entitlement period					
	Month 1	Month 2[1]	Month 3	Month 4	Month 5	Month 6
Internationally Recognised Reference Indicators						
NMW	66.7%	61.1%	61.1%	60.3%	60.3%	60.3%
AW	50.1%	50.1%	50.1%	50.1%	50.1%	50.1%
67% of AW	70.0%	68.8%	68.8%	62.5%	62.5%	62.5%
EU Minimum Wage Directive Benchmarks						
60% of GMW	69.5%	63.7%	63.7%	57.9%	57.9%	57.9%
50% of AW	70.8%	64.9%	64.9%	59.0%	59.0%	59.0%

Concerning **Table I,** the following observations are reached:

- **General Trends:** NRRs are highest in the first month (60%) but steadily decline to 55% (Weeks 5–14) and 50% (Weeks 15–26).

- **IRRIs:**
  - **NMW (66.7%–60.3%):** NRRs start well above the 60% GMW benchmark but taper to adequacy levels, challenging low earners during prolonged unemployment.
  - **AW (50.1%):** Consistent NRRs ensure stability but may erode adequacy without adjustments for inflation.
  - **67% of AW (70.0%–62.5%):** Strong initial support tapers but remains adequate, potentially straining median earners over time.

- **EU MWD Benchmarks:**
  - **60% GMW (69.5%–57.9%):** Initial NRRs exceed benchmarks but fall below adequacy in later months, impacting vulnerable groups.
  - **50% AW (70.8%–59.0%):** NRRs consistently exceed benchmarks, providing solid support for average earners despite tapering.

[1] The shaded columns in **Table I** represent the results of the UB NRR indicators derived using the TBM based on the scenario where the household characteristics modelled by the IA were for a two-month period. For the UB NRR modelling presented in the previous section, as outlined in this document, the household characteristics used in the IA scenario have been maintained to ensure a like-for-like comparison between the results generated by the 2024 TBM and those produced by the 2021 TBM during the IA. This approach ensures consistency in methodology, allowing for a more accurate and reliable evaluation of changes in UB NRR adequacy over time.

Relative to, when compared to EU MS, the UB NRR concerning:

- **NMW and AW**, Malta ranks in the bottom quarter.
- **67% of the AW**, Malta is positioned in the higher mid-range.
- **60% of the GMW**, Malta is in the bottom third.
- **50% of the AW**, Malta is in the bottom third.

The spreadsheet model supports the TBM analysis, with discrepancies due to its simplified calculation methodology. It highlights equity concerns, as the earnings-based mechanism favours higher-income earners – which is consistent with its design. NRRs rise with earnings, leaving low-income earners, such as those at 100% of NMW, with an NRR of 48.8%, far below the median of 73.2%. Adequacy challenges are most evident in the lower NRRs and disproportionately impact those near the NMW threshold. The cap at 175% of NMW ensures fiscal sustainability but results in identical NRRs for higher earners, limiting adequacy for those above the cap. The results are presented in **Table II**.

Table II: Unemployment Benefit Net Replacement Rates for Spreadsheet-Generated Scenario Earnings Relative to Recognised Reference and Other Indicators

Scenarios	UB Mechanism Min and Max range	Multiplier	Earnings	6 months earnings	Annualised	IRRI			Other	EU MWD Benchmarks		ILO Indicators		
						NMW	AW	67% of AW	GMW	60% of GMW	50% of AW	50% of NMW	45% of AW	45% of 67% of AW
						€11,104	€28,677	€19,118	€20,400	€12,240	€14,339	€5,552	€12,905	€8,603
1	100	1.0	€11,104	€2,709	€5,419	48.8	18.9	28.3	26.6	44.3	37.8	97.6	42.0	63.0
2	120	1.2	€13,335	€3,251	€6,502	58.6	22.7	34.0	31.9	53.1	45.3	117.1	50.4	75.6
3	150	1.5	€16,700	€4,064	€8,128	73.2	28.3	42.5	39.8	66.4	56.7	146.4	63.0	94.5
4	165	1.65	€18,300	€4,470	€8,941	80.5	31.2	46.8	43.8	73.0	62.4	161.0	69.3	103.9
5	175	1.75	€19,432	€4,741	€9,483	85.4	33.1	49.6	46.5	77.5	66.1	170.8	73.5	110.2
6	175	3.15	€35,000	€4,741	€9,483	85.4	33.1	49.6	46.5	77.5	66.1	170.8	73.5	110.2
				Median		73.2	28.3	42.5	39.8	66.4	56.7	146.4	63.0	94.5
				Average		69.3	26.8	40.2	37.7	62.9	53.7	138.6	59.6	89.4

Evaluation of the Special Unemployment Benefit (SUB)

The analysis highlights the distinct but complementary roles of the SUB and UB. While both show higher NRR for greater benefit amounts, the SUB targets household poverty alleviation based on the head of household and qualifying household members. In contrast, the UB focuses on income replacement based on pre-unemployment earnings.

Table II: Assessment of the Special Unemployment Benefit Net Replacement Rate Compared to International Adequacy Standards

Scenario	6 months earnings	Annualised	IRRI			Other	EU MWD Benchmarks		ILO Indicators		
			NMW	AW	67% of AW	GMW	60% of GMW	50% of AW	50% of NMW	45% of AW	45% of 67% of AW
			€11,104	€28,677	€19,118	€20,400	€12,240	€14,339	€5,552	€12,905	€8,603
A	€3,883	€7,766	69.9	27.1	40.6	38.1	63.4	54.2	139.9	60.2	90.3
B	€3,658	€7,316	65.9	25.5	38.3	35.9	59.8	51.0	131.8	56.7	85.0
C	€3,658	€7,316	65.9	25.5	38.3	35.9	59.8	51.0	131.8	56.7	85.0
D	€3,784	€7,568	68.2	26.4	39.6	37.1	61.8	52.8	136.3	58.6	88.0
E	€3,996	€7,991	72.0	27.9	41.8	39.2	65.3	55.7	143.9	61.9	92.9
F	€4,208	€8,415	75.8	29.3	44.0	41.3	68.8	58.7	151.6	65.2	97.8
G	€4,419	€8,839	79.6	30.8	46.2	43.3	72.2	61.6	159.2	68.5	102.7
H	€4,631	€9,263	85.4	33.1	49.6	46.5	77.5	66.1	170.8	73.5	110.2
	Median		71.0	27.5	41.2	38.6	64.4	54.9	141.9	61.1	91.6
	Average		72.8	28.2	42.3	39.6	66.1	56.4	145.7	62.7	94

Consolidating the SUB into the UB would risk losing the focus on household adequacy, leaving larger households more vulnerable. It could also undermine EU principles of equitable access and poverty alleviation.

The MR shows that some beneficiaries of the SUB would receive higher support under the UB, particularly those with high pre-unemployment earnings. For instance, a household in Scenario H would receive €9,482.60 under the UB compared to €9,262.76 under the SUB.

Table IV: Comparative Analysis of Special Unemployment Benefit and Unemployment Benefit Scenarios

		Scenarios	UB Mechanism Min and Max range	Multiplier	Earnings	6 months earnings	Net Annualised
UB	**Earnings**	**1**	**100**	**1**	€11,104	€2,709	**€5,418.63**
UB	**Earnings**	**2**	**120**	**1.2**	€13,335	€3,251	**€6,502.36**
UB	**Earnings**	**3**	**125**	**1.25**	€13,880	€3,387	**€6,773.29**
UB	**Earnings**	**4**	**130**	**1.3**	€14,435	€3,522	**€7,044.22**
SUB	**B-C**					€3,658	**€7,316.40**
SUB	**D**					€3,784	**€7,567.56**
UB	**Earnings**	**5**	**140**	**1.4**	€15,546	€3,793	**€7,586.08**
SUB	**A**					€3,883	**€7,765.68**
SUB	**E**					€3,996	**€7,991.36**
UB	**Earnings**	**6**	**150**	**1.5**	€16,700	€4,064	**€8,127.95**
SUB	**F**					€4,208	**€8,415.16**
SUB	**G**					€4,419	**€8,838.96**
UB	**Earnings**	**7**	**165**	**1.65**	€18,300	€4,470	**€8,940.74**
SUB	**H**					€4,631	**€9,262.76**
UB	**Earnings**	**8**	**175**	**1.75**	€19,432	€4,741	**€9,482.60**

Evaluation of the Unemployment Assistance Net Replacement Rates under the 2024 Earnings-based Mechanism

The UA provides a robust safety net for low-income households, particularly those earning at or slightly above the NMW, during unemployment. It aligns with EU poverty reduction and adequacy benchmarks, such as 60% of GMW and 50% of AW. The means-tested design targets those most in need, excluding individuals with financial resources above the threshold. ALMPs have effectively facilitated transitions from UA to employment. However, the flat-rate design, while efficient, may underserve low-income households with higher living costs. The results are presented in **Table V**.

Table V: Results of Unemployment Assistance Net Replacement Rate using the 2024 Tax-BEN model

Earnings Indicator	**Unemployment Benefit Net Replacement Rate over the entitlement period**
Internationally Recognised Reference Indicators	
NMW	75.7%
AW	38.0%
67% of AW	53.1%
EU Minimum Wage Directive Benchmarks	
60% of GMW	73.0%
50% of AW	67.2%

Relative to when compared to EU MS, the UA NRR concerning.

- **NMW**, Malta ranks third.
- **AW**, Malta places in the lower mid-point
- **67% of the AW**, Malta is positioned in the mid-range.
- **60% of the GMW**, Malta ranks fourth.
- **50% of the AW**, Malta places in the higher mid-point.

Evaluation of the Unemployment Benefits Adequacy Level Using the Modified International Social Security Association Modified

The MR scores 471 points on the modified ISSA adequacy model designed by the IA, compared to the IA's 363, reflecting updated policies and refined parameters. However, data gaps in the IA carried out in 2022 make direct comparisons unfeasible.

Conclusions of the Monitoring Report concerning the Unemployment Benefits Support Systems

(a) New Earnings-based Unemployment Benefits Mechanism

The 2024 earnings-based UB mechanism marks a significant improvement, addressing equity and adequacy gaps in the previous flat-rate system. It enhances fairness, particularly for middle-income earners, but also reveals critical challenges that require attention to ensure long-term sustainability and alignment with international standards. Key challenges and recommendations are outlined below:

01. Modify the Tapering Formula for Enhanced Low-Income Support: The tapering structure should be adjusted to provide stronger early-stage support for low-income earners.

02. The unemployment benefit mechanism, tied to the NMW and adjusted via COLA, should remain in place. However, as wage inflation often outpaces retail inflation, a study is proposed to explore how the mechanism can adapt dynamically to this relationship, ensuring long-term adequacy.

03. Align UB MRs with the Low Wage Commission (LWC) review cycle by assessing adequacy 12 months before the LWC's report to the Prime Minister. This alignment will strengthen the integration of UB adequacy assessments with NMW policy developments, given that the UB earnings-based mechanism is pegged to the NMW.

Several spreadsheet-generated scenarios were modelled to address Challenges 01 and 02. Among these, Scenario 8, which incorporates inflation-responsive indexation and an extended tapering period, demonstrated the strongest outcomes for NRR adequacy at both 100% and 175% of the NMW. All scenarios showed improved UB NRRs compared to the newly introduced earnings-based UB mechanism, indicating their potential to address identified gaps in fairness and adequacy. The results are presented in **Table VI**.

Table VI: Evaluating the Impact of Net Replacement Rate Results Under Scenarios Reviewing Modifications to Unemployment Benefit Earnings-Based Mechanisms

		Multiplier	Earnings	Annualised	IRRI			EU MWD Benchmarks		ILO
					NMW	AW	67% of AW	60% of GMW	50% of AW	45% of AW
					€11,104	€28,677	€19,214	€12,240	€14,339	€12,905
	UB Earnings Based Mechanism	**1.0**	**€11,104**	**€5,419**	**48.8**	**18.9**	**28.3**	**44.3**	**37.8**	**42.0**
Scenario 01	70% WI+30RI			€5,580	50.3	19.5	29.0	45.6	38.9	43.2
Scenario 02	50% WI+50% RI			€5,565	50.1	19.4	29.0	45.5	38.8	43.1
Scenario 03	30%WI+70%RI			€5,549	50.0	19.4	28.9	45.3	38.7	43.0
Scenario 04	First tapering phase increased to 10 wks			€5,573	50.2	19.4	29.0	45.5	38.8	43.2
Scenario 05	Two tapering phases of 16 and 10			€5,804	52.3	20.2	30.2	47.4	40.4	45.0
Scenario 06	Two tapering phases of 10 and 16			€5,688	51.2	19.8	29.6	46.5	39.6	44.1
Scenario 07	Scenario 2 + Scenario 4			€5,724	51.5	20.0	29.8	46.8	39.8	44.4
Scenario 08	Scenario 1 + Scenario 5			€5,976	53.8	20.8	31.1	48.8	41.6	46.3

		Multiplier	Earnings	6 Annualised	IRRI			EU MWD Benchmarks		
					NMW	AW	67% of AW	60% of GMW	50% of AW	45% of AW
	UB Earnings Based Mechanism	**1.75**	**€19,432**	**€9,483**	**85.4**	**33.1**	**49.6**	**77.5**	**66.1**	**73.5**
Scenario 01	70% WI+30RI			€9,765	87.9	34.1	50.8	79.8	68.0	75.7
Scenario 02	50% WI+50% RI			€9,739	87.7	34.0	50.7	79.6	67.9	75.5
Scenario 03	30%WI+70%RI			€9,712	87.5	33.9	50.5	79.3	67.7	75.3
Scenario 04	First tapering phase increased to 10 wks			€9,753	87.8	34.0	50.8	79.7	68.0	75.6
Scenario 05	Two tapering phases of 16 and 10			€10,157	91.5	35.4	52.9	83.0	70.8	78.7
Scenario 06	Two tapering phases of 10 and 16			€9,555	86.1	33.3	49.7	78.1	66.6	74.0
Scenario 07	Scenario 2 + Scenario 4			€10,016	90.2	34.9	52.1	81.8	69.8	77.6
Scenario 08	Scenario 1 + Scenario 5			€10,459	94.2	36.5	54.4	85.4	72.9	81.0

It is important to note that these scenarios were evaluated solely on their impact on UB NRR adequacy levels. A financial assessment of each option was not conducted, as this fell outside the scope of the MR's terms of reference. Nevertheless, a comprehensive financial analysis, including stress testing for long-term sustainability, is essential to understand the feasibility of these options. Such an analysis would require advanced modelling tools to evaluate the fiscal implications, particularly under conditions of high unemployment, and ensure the robustness of the proposed solutions over time.

(b) Special Unemployment Benefit

The SUB should be retained due to its critical role in addressing household poverty and its design tailored to meet the needs of vulnerable households. Removing the SUB and shifting its beneficiaries to the earnings-based UB would undermine its focus on poverty alleviation and could leave larger households more exposed to financial insecurity.

The MR shows that some SUB beneficiaries, particularly those with high pre-unemployment earnings, would receive higher support under the UB. To address this, a "benefit pathwaying" mechanism should be introduced to automatically assess claimants for both benefits and assign them to the one providing greater support, ensuring fairness, reducing inequities, and improving system efficiency.

(c) Unemployment Assistance

The MR confirms that the UA scheme effectively ensures NRR adequacy, meeting its primary goal of providing a safety net for low-income individuals unable to secure employment after exhausting contributory benefits. Means-tested support ensures income security during unemployment, aligning well with EU benchmarks. However, during periods of rapid and negative economic shifts, the government should, as it has done over the past recent years, temporarily intervene to increase UA levels or provide complementary benefits such as the Additional Cost of Living Benefit as necessary to provide additional support.

(d) Evaluation of the Unemployment Benefits Adequacy Level Using the Modified International Social Security Association Model

The score of this MR should serve as the baseline for future studies, with collaboration between SID, SSD, Jobplus, and NSO to address data gaps and improve monitoring.

Table VII: Monitoring Report's Score on Modified ISSA Unemployment Benefits Adequacy Model compared to the 2022 Independent Assessment

Key Performance Indicator	Total Score as per Modified ISSA Model	Assigned Scores by the 2022 Evaluation	Assigned Scores by the MR
Coverage level	100	78	82
Period of entitlement to unemployment benefits	100	58	52
Unemployment benefit levels	100	79	92
Eligibility conditions	100	56	68
Employment services and labour market activities	99	11	30
Unemployment rate	100	81	82
Administration	100	0	65
Total	**699**	**363**	**471**

Appendices

01.	2024 TaxBEN Model generated Unemployment Benefit Net Replacement Rates: NMW, AW, 67% of AW, 60% of GMW, 50% of AW
02.	2024 TaxBEN Unemployment Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period: NMW, AW, 67% of AW, 60% of GMW, 50% of AW
03.	2024 TaxBEN Unemployment Assistance over 12 Month Period following Expiry of Unemployment Benefit Entitlement Expiry: NMW, AW, 67% of AW, 60% of GMW, 50% of AW
04.	Monitoring Report ISSA Review (Excel file)
05.	Scenario-Based Analysis of Spreadsheet Results: Addressing Evaluation-Identified Challenges in the New Earnings-Based UB Framework
06.	Review of other models for the determination of the Net Replacement Rate for Unemployment Benefits Adequacy
07.	2024 European Council and European Committee Joint Employment Report Employment Scoreboard by Member State
08.	Comparison of Weekly and Annual Rates concerning Unemployment Benefits, National Minimum Wage, and other Indicators

Figures

Tables

VII	Monitoring Report's Score on Modified ISSA Unemployment Benefits Adequacy Model compared to the 2022 Independent Assessment

ALMP	Active Labour Market Policy
AROP	At-risk-of-poverty rate
AW	Average Wage
CoEU	Council of the European Union
COLA	Cost of Living Adjustment
DSS	Department for Social Security
EC	European Commission
EEA	European Economic Area
EPSCO	Employment, Social Policy, Health, and Consumer Affairs Council
ER	Employment Rate
ERR	Earnings Replacement Rate
EU	European Union
EDI	EU Economic Databases and Indicators
F/T	Full-time
GDP	Gross Domestic Product
GMW	Gross Median Wage
HB	Housing Benefits
IA	Independent Assessor
ILO	International Labour Organisation
IRRI	Internationally Recognised Reference Indictors (relative to the NMW, AW, and 67% of the AW
ISCD	Information Support and Compliance Department
ISSA	International Social Security Association
IWB	In-Work Benefit
JER	Joint Employment Report
KPI	Key Performance Indicators
LFS	Labour Force Survey
LTUR	Long-Term Unemployment Rate
LWC	Low Wages Commission
MISSOC	Mutual Information System on Social Protection
MR	Monitoring Report
MS	Member States
MSPC	Ministry for Social Policy and Children's Rights
MT	Means Testing
MWD	EU Minimum Wage Directive
NEET	Not in Employment, Education or Training
NMW	National Minimum Wage
NRR	Net Replacement Rates
NRSR	National Reform and Stability Programmes
OECD	Organisation for Economic Co-operation and Development
PES	Public Employment Services
PM	Prime Minister
P/T	Part-time
Qn	Quarter n
RCM	2024 Rules Construct Model
RRF	Recovery and Resilience Facility
SA	Social Assistance
SABS	System for the Administration of Social Benefits
SCL	SEED Consulting Ltd
S/E	Self-employed

SPA	Subsidiary Protection Assistance
SPC	Social Protection Committee
SSA	Social Security Act
SSC	Social Security Contributions
SUB	Special Unemployment Benefit
SDG	Sustainable Development Goals
TBM	OECD Tax-Benefit Model
TCN	Third-country nationals
TFEU	Treaty on the Functioning of the European Union
TOB	Tapering of Benefit
ToR	Terms of Reference
TUR	Total Unemployment Rate
UA	Unemployment Assistance
UAS	Unemployment Assistance Support
UB	Unemployment Benefit

01.1 2022 Independent Assessment of the Adequacy of Unemployment Contributory and Non-Contributory Benefits

The Council of the European Union (CoEU) Recommendation of 8th November 2019 on access to social protection for workers and the self-employed (S/E) called on Member States (MS) to ensure access to adequate social protection for all workers and S/E persons within the framework of each MS's national social protection system. On this basis, the CoEU recommended that MS address four key principles of social protection, which combine to cover effective access to and adequacy of unemployment benefits. These principles are presented in **Table 01**, with the definition for each as specified in the CoEU Recommendation.[2]

Table 01: Principles of social protection defined in the Council Recommendation of 8 November 2019[3]

Principle	Definition
Formal coverage	Of a group means a situation in a specific social protection branch where the existing legislation or collective agreement states that the individuals in a group are entitled to participate in a social protection scheme covering a specific branch. (Objective and scope, para.7(j))
Effective coverage	Of a group means a situation in a specific social protection branch where the individuals in a group have an opportunity to accrue benefits and the ability, if the corresponding risk materialises, to access a given level of benefits. (Objective and scope, para.7(f))
Adequacy	Social protection is considered 'adequate' when it allows individuals to uphold a decent standard of living, reasonably replace their income loss and live with dignity, and prevents them from falling into poverty while contributing, where appropriate, to activation and facilitating the return to work. (Objective and scope, para. 11)
Transparency	'Transparency' means the provision of available, accessible, comprehensive and clearly understandable information to the general public, potential scheme members and beneficiaries about the scheme's rules and / or about the individual obligations and entitlements. (Objective and scope, para.7(j))

Unemployment benefits, contributory and non-contributory, are specified as one of the branches of social protection covered by this CoEU's Recommendation.[4] The 2020 CoEU Recommendation on Malta's National Reform and Stability Programmes (NRSR) also highlighted concerns about unemployment and related benefits due to pandemic-related labour market disruptions. The CoEU emphasised the need for adequate support and access to social protection for all workers, including the S/E, and noted the importance of addressing prolonged unemployment. The European Commission (EC) also issued in 2020 a country-specific recommendation to ensure adequate unemployment protection for all workers.[5] The European Union (EU) in 2021 established the Recovery and Resilience Facility (RRF) to finance MS post-pandemic recovery. Access to the RRF, however, was conditional on MS addressing country-specific recommendations put forward by the EC under the European Semester framework for economic and social policy coordination.[6]

[2] Pg 13, Ibid.
[3] Ibid.
[4] Pg 12, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.
[5] European Commission. Press Release. NextGeneration EU: European Commission disburses €41.1 million in pre-financing to Malta. Brussels. 17 December 2021 .
[6] Pg 14, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

Malta's RRF, approved by the EC in September 2021, identified "enhancing quality education and fostering socio-economic sustainability" as one of six key priority areas. One of the reforms established by the EC for Malta to access the RRF related to fostering socio-economic sustainability involved developing a system for regularly analysing and monitoring pension and unemployment benefits to ensure their adequacy and sustainability.[7] As a direct response to these recommendations, the government was required to commission an independent review to assess the adequacy of the current levels of contributory and non-contributory unemployment benefits.

The Ministry for Social Policy and Children's Rights (MSPC) in March 2022 appointed SEED Consulting Ltd (SCL)[8] to independently:

> "2.1 … Assess the current unemployment benefits scenario and provide tangible recommendations to the government aimed at ensuring better adequacy of unemployment benefits whilst enhancing the incentive to work.
>
> 2.2 (a) Undertake an evidence-based policy evaluation of current unemployment benefits in Malta. Empirically assess the adequacy and effectiveness of social security policy with regards to unemployment benefits and develop recommendations according to an evidence-based policy design based on the outcomes of research and assessment".[9]

A third term of reference assigned to the independent assessor (IA) was that of "propos[ing] a detailed methodology for the entire project, including the development of the monitoring and evaluation framework" viability as a "means for tracking, monitoring, and evaluating the measurable outcomes and outputs of Malta's unemployment benefits on a regular basis".[10]

Additionally, the review of the adequacy of unemployment benefits was to be aligned with two other key government commitments. The first is related to the Sustainable Development Goals (SDG) and the 2030 Agenda for Sustainable Development, specifically targeting reduced inequality, as outlined in **Table 02**.[11]

Table 02: Sustainable Development Goals - 2030

Goal	Target	Indicator
SDG Number 10: Reduced Inequality	10.1 By 2030, progressively achieve and sustain income growth of the bottom 40% of the population at a rate higher than the national average.	10.1.1 Growth rates of household expenditure or income per capita among the bottom 40% of the population and the total population

The second concerned Malta's National 2014-2024 Strategic Policy for Poverty Reduction and Social Inclusion. Measure 3.1, 'Income and Social Benefits,' of this Strategic Policy emphasised that Malta's social protection system should adequately reflect socio-economic realities. One of the key actions under this measure is the ongoing revision of social benefits "guided by the principles of fairness, social justice, and incentivising employment".[12]

[7] Pg 14, Ibid.

[8] Note: SEED Consulting Ltd is referred to as the independent assessor and its assignment as an independent assessment.

[9] Pg 10, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

[10] Pg 5, Monitoring and Evaluation Framework, Task 3, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, September 2022.

[11] https://unstats.un.org/sdgs/indicators/indicators-list/.

[12] Pg 49, National Strategic Policy for Poverty Reduction and for Social Inclusion, 2014-2024, Ministry for the Family and Social Solidarity, 2015.

The IA, as outlined in the Terms of Reference (ToR), delivered the following key outputs:

01. An Inception report.

02. A first draft of Task 2 report in June 2022, with the final report presented in November 2022 titled 'National study on the adequacy of unemployment benefits in Malta: Final Report.'

03. A Task 3 report titled 'Monitoring & Evaluation Framework' was presented in October 2022.

04. An Excel-based Scorecard tool for monitoring and evaluation presented in October 2022.

01.2 Terms of Reference of the 2024 Monitoring Report on the Adequacy of Unemployment Contributory and Non-Contributory Benefits

In July 2024, the Strategy and Implementation Division (SID) within the Ministry for Social Policy and Children's Rights (MSPC) commissioned a Monitoring Report (MR) to examine the adequacy of the net replacement rates (NRR) for contributory and non-contributory unemployment benefits. The MR was guided by the following Terms of Reference (ToRs):

(a) Assessing the adequacy of the unemployment benefits as of 2024 and determining how well these benefits meet the needs of the unemployed population.

(b) Evaluating the changes to contributory and non-contributory unemployment benefits carried out between the IA and the MR and their impact on their respective NRR adequacy level.

(c) Concluding the findings and providing recommendations where appropriate, supporting potential improvements to unemployment benefit structures.

01.3 Methodology Overview for the 2024 Monitoring Report

The methodology for conducting the MR involved several key steps, as outlined below:

(a) The MR was based on the framework outlined in the IA's Task 3 report, *Monitoring & Evaluation Framework*, along with the Excel-based scoreboard developed by the IA. These tools, provided by the SID, served as the foundation for the MR. The MR, however, did not merely adopt this framework; it expanded upon it by incorporating additional analytical layers and methodologies to provide a more comprehensive assessment of the MR's objectives and metrics. This iterative approach ensured a deeper and more nuanced analysis of the data.

(b) Consultations were held with the Social Security Department (SSD) and the Income Support and Compliance Department (ISCD) within MSPC to:

  (i) Review any changes in the statutory framework governing eligibility, calculation, and award criteria for the UB, SUB and UA that may have occurred since the IA.

  (ii) Obtain the most recent official data on benefit rates, the number of applicants, and related metrics to support the analysis.

(c) Further discussions with SSD addressed the following:

  (i) The implementation of the new earnings-based UB mechanism. This involved rigorous testing using a series of scenarios and scripts provided by the SSD to evaluate the mechanism's functionality and efficacy, ensuring alignment with policy objectives and operational feasibility.

  (ii) A comprehensive analysis of the SUB. This deep dive examined its design, effectiveness, and alignment with household poverty alleviation objectives. The analysis included evaluating the SUB's adequacy levels against international benchmarks, assessing its impact on various household configurations, and exploring potential overlaps or complementarities with the earnings-based UB. These discussions aimed to identify areas for optimisation while safeguarding the SUB's role in addressing household-specific needs.

(d) Discussions with the National Statistics Office (NSO) to understand the OECD TBM database for Malta, specifically the policy rules for 2023 and 2024.

(e) The IA used the OECD's 2023 TBM model, as the 2024 database detailing Malta's updated policy rules and the calibrated to 2024 TBM was unavailable during the study. Once the TBM, incorporating the new UB earnings-based mechanism, was released in November 2024, the study's modelling, evaluations, and conclusions were revisited and updated accordingly. A future study should be commissioned only after the OECD releases an updated TBM reflecting the study's base year.

(f) Consultations with Jobplus were held to obtain the latest data from 2024, enabling the IA's Excel-based Scorecard tool to be updated with the most current figures.

(g) A presentation of the findings and conclusions were presented to the Permanent Secretary of MSPC and the top management at SSD.

01.3.1 Limitations of the OECD Tax-Benefit Model and the Spreadsheet-Based Granular Analysis

The MR calculated Net NRR for UB and UA using the TBM for four earnings indicators: NMW, AW, 67% of AW, and 50% of AW. The new earnings-related UB reform, implemented in January 2024, applies to all persons who are on UB but is capped at 175% of the NMW. The MR emphasises that a meaningful assessment of UB adequacy must evaluate NRR levels for individuals' income within this range to capture the NRR adequacy impact of the new UB earnings-based mechanism more accurately.

The TBM is not designed for such granular analysis. It generates a single output for each earnings indicator based on standardised assumptions and methodologies. These outputs rely on predefined parameters, including taxes, benefits, and social contributions, which are applied uniformly across an adjustable range, typically from 1% to 200% of AW. While the TBM is highly effective for high-level evaluations, it lacks the flexibility to model variations within specific earnings bands, such as 100%-175% of the NMW.

To address this limitation, the MR established five earnings scenarios, ranging from €11,104 (NMW) to €19,432 (175% of the NMW), to evaluate NRR adequacy. A spreadsheet model was developed to provide proportional calculations of UB and UA adequacy levels for each scenario. This approach allowed for a more nuanced analysis of the earnings-based UB system within the defined range. Significant discrepancies were observed between the TBM's single-output NRR results and the averages and medians derived from the five earnings scenarios in the spreadsheet model. These differences stem from fundamental variances in the models' methodologies:

- Nonlinear Taxation Effects: TBM applies stepped or non-linear tax rules affecting earnings levels differently.

- Interaction Effects: TBM factors in interactions with variables like household composition, housing costs, or additional allowances.

- Averaging of Results: TBM outputs reflect aggregate or representative outcomes rather than discrete results for multiple earnings scenarios.

As a result, the TBM outputs tend to be higher than the averages or medians calculated in the spreadsheet model, which does not replicate the comprehensive scope of TBM's framework.

Limitations of the Spreadsheet Model

While useful for identifying disparities, the spreadsheet model has certain limitations:

- Simplified Assumptions: It does not account for non-linear tax rules, benefit interactions, or complexities included in TBM.

- Static Parameters: Proportional relationships between earnings and NRR indicators may not reflect real-world variability.

- Exclusion of Contextual Variables: Factors such as household size, age, or additional benefits are excluded, limiting the model's comprehensiveness.

Value of the Spreadsheet Model for the 2024 Monitoring Report

Despite these limitations, the spreadsheet model provides valuable insights for this MR:

- Highlighting Disparities: This approach facilitates a granular analysis, allowing for the identification of significant variability in NRR levels within the 100%-175% NMW earnings range. Such detailed insights are beyond the scope of the TBM model, which produces a single aggregated output, limiting its ability to capture nuanced differences. A similar granular approach is applied to the SUB but with a focus on variations driven by household size and composition. This ensures that the analysis reflects the unique needs of different household configurations, providing a more comprehensive understanding of adequacy and equity across both benefit mechanisms.

- Policy Implications: It analyses how the new UB mechanism affects individuals across varying earnings levels, identifying disparities that may necessitate policy adjustments to enhance fairness and adequacy. This detailed MR allows for a better understanding of whether the current structure equitably addresses the needs of all income groups within the 100%-175% NMW range. A similar approach is applied to the SUB, focusing on household size and composition to assess its adequacy and equity. This includes examining whether households entitled to the SUB, particularly those with higher pre-unemployment incomes, would receive a greater benefit if they qualified for the UB instead. Such an analysis is crucial to understanding potential overlaps or gaps between the two mechanisms, ensuring that neither individuals nor households are disadvantaged by the current allocation framework. These insights can inform targeted policy refinements to strengthen the overall effectiveness and equity of the unemployment benefit system.

Application of the Results of the Spreadsheet Model in the 2024 Monitoring Report

The spreadsheet model and its results should be viewed as follows:

- A simplified tool for identifying trends and disparities rather than a substitute for the TBM model.

- A guidance tool focusing on variability within the earnings range (UB) and household composition (SUB) rather than providing NRR absolute adequacy levels.

- A complement to the TBM, providing detailed insights into specific earnings scenarios for the UB that the TBM is unable to evaluate at a granular level. However, within this framework, the SUB cannot be modelled using the TBM, as the model lacks the parameters or functionality necessary to account for the SUB's unique design, which is based on household composition and poverty alleviation rather than individual earnings. This limitation highlights the need for tailored analytical tools to evaluate the SUB's adequacy and impact accurately.

- A demonstration of the importance of integrating granular modelling approaches with comprehensive models like TBM to provide a more detailed and accurate picture of NRR adequacy.

02.1 Methodology Applied by the Independent Assessment

The methodology employed by the IA to evaluate the adequacy of unemployment benefits is discussed hereunder.

02.1.1 Net Replacement Rates of Unemployment Benefits

The IA applied the Organisation for OECD TBM to assess the adequacy of NRR for the UB and UA, and the hybrid Special Unemployment Benefit (SUB). In its report titled 'National Study on the Adequacy of Unemployment Benefits in Malta: Final Report', dated 17th November 2022, the IA provides a detailed analysis of the TBM[13]. The IA also details the application[14] of the model in evaluating four proposed options[15] aimed at improving the adequacy of the UB, SUB, and UA.

A brief explanation of the TBM is provided below for context, offering insight for those unfamiliar with the model. The TBM integrates complex tax and benefit rules, including those applicable in Malta, into a unified framework. This allows for international comparisons of how tax liabilities and benefit entitlements impact the net disposable income of families across different labour market situations, such as employment versus unemployment. The TBM includes provisions for major employment taxes, social contributions paid by employees and employers, and key cash and near-cash benefit programmes. These programmes encompass unemployment benefits, family and childcare benefits, guaranteed minimum income schemes, housing benefits, and employment-conditional benefits.[16]

The TBM calculates the NRR on the 'previous annual earnings" based on the:

- NMW.
- AW.
- 67% of the full AW earnings (or any other % on the AW).

The TBM adopts the following rules concerning the calculation of the NRR of the UB, SUB and UA:

- SUB: The model, as stated earlier, lacks the parameters or functionality necessary to account for the SUB's unique design.[17]
- UA: This is based on the SA rate.[18]

[13] Pp, 91-100, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.
[14] Pp, 138-139, Ibid.
[15] Pp, 145, 152.
[16] Pg i, Magro, J., Galea, M., and Sammut, S., (National Statistics Office team), The OECD TaxBENefit Database for Malta: Description of policy rules for 2023, OECD, July 2023.
[17] Information presented by the NSO drafting team of 'The OECD TaxBENefit Database for Malta: Description of policy rules for 2023, (OECD), held on 17th September 2024.
[18] Ibid.

02.1.2 Unemployment Benefits Adequacy

In developing a framework for the continuous monitoring and evaluation framework by MSPC of the adequacy of unemployment benefits, the IA based its design on the International Social Security Association (ISSA) model. A brief explanation of the ISSA model is provided for context for those who are unfamiliar with the model. The ISSA model for measuring unemployment benefit adequacy consists of eight parameters designed to evaluate and highlight various dimensions of adequacy and the objectives of an unemployment system. These criteria include coverage level, type of benefits, entitlement period, benefit level, eligibility conditions, employment services, active labour market programmes, unemployment rate, and administration.[19]

ISSA established these eight parameters because they represent the various dimensions of adequacy. They also reflect the goals of the unemployment insurance scheme, both individually and collectively, which aim to:[20]

- Ensure transitions by providing social protection and income replacement for workers who have lost their jobs and income.
- Support re-employment by facilitating the return to work through incentive mechanisms, employment services, and programmes.

The IA recommended a modified ISSA adequacy model calibrated to reflect Malta's social and economic context. **Table 03** compares the indicators present in the ISSA model with those modified by the IA.

Table 03: Independent Assessment's Modified ISSA Adequacy Model for Malta's Evaluation Framework

Criteria under ISSA	Indicators under ISSA	Modification of the ISSA Adequacy Model by the Independent Assessment and the Rationale for such modifications	
Coverage Level	(1.1) Legal coverage of employees	**Retained**	
	(1.2) Conditions for qualifying for unemployment benefits		
	(1.3) Coverage of specific categories		
	(1.4) Effective coverage of the unemployed		
Types of Benefits	(2.1) Partial unemployment benefits	**Removed**	The unemployment benefit system in Malta does not distinguish between different types of unemployment situations. It only differentiates between single and married rates, with possible top-ups through the SUB, which is both contributory and means-tested (MT). Task 2 of the IA found no gaps in addressing specific unemployment situations. Instead, it identified the main issue as the overall income replacement level for unemployed individuals. The IA thus concluded that this parameter is irrelevant for Malta and was not included in the monitoring and evaluation tool.
	(2.2) Benefits for the unemployed accepting a part-time job		
	(2.3) Specific benefits for older unemployed persons		

[19] ISSA unemployment benefits adequacy model, User manual, International Social Security Association, Geneva, November 2016.
[20] Ibid.

Period of Entitlement	(3.1) Unemployment insurance benefits allowance duration (3.2) Unemployment assistance benefits allowance duration	**Amended**	The IA modified the evaluation criteria for both indicators from those used in the ISSA model. The NRR reflects the median replacement rate for a single individual without children, with previous in-work earnings at 67.0% of the average salary for both indicators. Under the revised scoring system, an NRR of 45.0% or higher, which aligns with the International Labour Organisation (ILO) adequacy standard, scores 40 points. For every 1 percentage point decrease in the NRR below this level, the score is reduced by one point. This revised approach provides a more granular assessment, aligning with international standards while offering a simplified, point-based system for evaluating the adequacy of benefits. By using 45.0% as the threshold for adequacy, the IA incorporates a widely recognised benchmark, promoting consistency and comparability with global standards for social security adequacy.
Unemployment Benefits Level	(4.1) Benefits replacement ratio at the beginning of the unemployment period. At-risk-of-poverty rate (AROP) of the unemployed.	**Retained**	The CoEU of 8th November 2019 on access to social protection for workers and the S/E defines 'adequacy' of income support through three key policy objectives: maintaining a decent standard of living, providing an appropriate income replacement rate, and preventing beneficiaries from falling into poverty. Accordingly, the selection of indicators for measuring income support under Task 2, guided by version 0 of the CoEU's Recommendation's monitoring framework and the European Semester thematic factsheet on unemployment benefits, focuses on: ○ The at-risk of poverty (AROP) rate among the unemployed; and, ○ The NRR of unemployment benefits relative to previous earnings.[21]
	The net replacement rate of unemployment benefits and unemployment assistance.	**New**	
	(4.2) Median replacement ratio of benefits over five years of unemployment. (4.3) Benefits replacement ratio after five years of unemployment. (4.4) Actual average rate of unemployment benefits compared to the median salary during the first year of unemployment.	**Removed**	
Eligibility Conditions	(5.1) Voluntary unemployment (5.2) Existence and severity of appropriate sanctions (5.3) Active job search (5.4) Effective use of sanctions (5.5) Possibility of appeal against sanctions	**Retained**	

[21] Pg 30, Monitoring and Evaluation Framework, National study on the adequacy of Unemployment Benefits in Malta, Task 3, September 2023.

Employment Services and Active Labour Market Programme	(6.1) Ratio of the number of job offers received by the public employment services (PES) compared to the number of jobs.	**Retained**	The proposed indicators are well-suited for quantitatively measuring the performance of these initiatives and processes, making their inclusion in the monitoring and evaluation tool timely. However, indicator 6.4, which measures the ratio of long-term job seekers exiting unemployment within 12 months, overlaps with indicator 6.3. Since Eurostat defines long-term unemployment as those seeking work for at least a year, this indicator is redundant. Therefore, the IA removed this from the monitoring tool, and its scoring weight was redistributed among the remaining indicators under this parameter.[22]
	(6.2) Ratio of the number of job offers received by the PES compared to the number of unemployed.		
	(6.3) Ratio of jobseekers who find employment within 12 months.		
	(6.4) Ratio of the number of job seekers who have been unemployed for at least 12 months and who find a new job within 12 months as opposed to the total number of jobseekers.	**Removed**	
	(6.5) Ratio of job offers satisfied within four weeks.	**Retained**	
	(6.6) Ratio of jobseekers receiving assistance from the PES.		
	(6.7) Ratio of jobseekers in training.		
	(6.8) Ratio of long-term jobseekers occupied in active labour market programmes.		
Supplementary Indicators	Take-up of work activation measures.	**New**	Alongside the proposed indicators, it remains important to continue monitoring the performance indicators outlined in the overarching research framework under Task 2 for this dimension. Although these indicators are not included in Malta's monitoring tool or rated with a scoring system, their annual assessment provides valuable supplementary insights into the take-up of work activation measures, the design of Malta's TBM system, and the non-take-up rate of unemployment benefits, which may reflect perceptions of the PES within the current labour market.[23]
	Effective participation tax rate for claimants of unemployment benefits taking up full-time employment.		
	The effective participation tax rate on entering employment for parents using childcare services.		
	Non-take-up rate of unemployment benefits.		

[22] Pg 44, Ibid.
[23] Pg 45, Ibid.

Unemployment Rate	(7.1) Total unemployment rate.	**Removed**	The research framework from the IA's Task 2 identifies four key performance indicators to assess this parameter. These indicators, data sources, frequency, and comparative benchmarks are summarised below. Two indicators - the total unemployment rate and long-term unemployment rate - are also proposed by the ISSA. A third measures the rate of Maltese youths aged 15 to 24 not in NEET. While defined slightly differently in Malta compared to the ISSA model, it still provides valuable insight into youth unemployment and overall engagement, making it a more holistic indicator to replace indicator 7.2. The fourth indicator measures the employment rate, reflecting the percentage of employed persons within the working-age population. This gives a broader view of labour participation by gender and age group and indirectly shows the inactivity rate beyond disability or illness, making it an optimal measure for this parameter.[24]
	(7.2) Youth unemployment rate.		
	(7.3) Long-term unemployment rate.	**New**	
	(7.4) Rate of people receiving disability benefits.	**Removed**	
	Rate of youths (aged 15 to 24) Not in Employment, Education or Training (NEET).	**New**	
	Unemployment rate.		
	Employment rate.		
Supplementary Indicators	Real Gross Domestic Product (GDP) Growth rate.	**New**	In addition to the selected indicators, it is important to monitor supplementary performance indicators from the Task 2 research framework. While not part of the main monitoring tool, their regular assessment will offer valuable insights into unemployment trends. These include the real GDP growth rate and the breakdown of registered unemployed by category (Part 1 vs Part 2), gender, age, and duration.
	Number of registered unemployed by type (Part 1 vs Part 2), gender, age and duration.		
Administration	(8.1) Processing time of the first claim for unemployment benefits.	**Retained**	
	(8.2) Regularity of payments.		
	(8.3) Administrative formalities.		
	(8.4) Fight against fraud.		
	(8.5) Satisfaction rate of clients.		

02.1.3 Data and Information Sources applied by the Independent Assessment

In the review conducted by the IA, the following data and information was used:

- The NRR modelling, as stated earlier, is based on the TBM model, which incorporated 2021 country-specific social security rules.[25]
- 2021 data from research institutions and administrative sources, mainly MSPC, Jobplus, and NSO, on which the Key Performance Indicators (KPIs) of the ISSA unemployment benefits adequacy modified model scores are based.

[24] Pg 51, Ibid.
[25] Pg 79, Task 2 report, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, June 2022.

- Information on UB, SUB and UA rules regarding eligibility, calculation, and other aspects of unemployment benefits, etc., based on the latest statutory and legislative framework for 2022.

- Data sourced from the Mutual Information System on Social Protection (MISSOC), using the most recent version available in 2022, up to the final report's submission in November 2022.

- While the Malta 2021 social benefits entitlement rules and values applied concerning the NMW and the AW could not be sourced[26], the key indicators applied are likely to align closely with those presented in **Table 04**.

Table 04: Key Indicators in € as potentially applied in the 2021 OECD TBM Model

Type	Description	€ / day		€ / day
Unemployment Benefit[27]	A Single Parent or a Married Person maintaining a Spouse who is not employed on a full-time basis	€13.12	Any other person (including a single person)	€78.72
Special Unemployment Benefit[28]		€22.03		€14.54
Unemployment Assistance[29]	Single	€109.43	Every other eligible member of the household	€8.15
National Minimum Wage				€181.08
Average Wage[30]				€1,613

02.2 Findings and Conclusions of the Independent Assessment

02.2.1 Net Replacement Rates Unemployment Benefit and Unemployment Assistance Adequacy Levels

The IA stimulated the scenarios presented in **Table 05** to determine the NRR adequacy level of the UB, SUB and UA.

Table 05: TBM Parameters for Net Replacement Rate Scenarios Simulation of Unemployment Benefits and Assistance

Scenario 01 – Unemployment Benefit	Single, age 40 years, no children, without a job, 6 months out of work, 264 months of social contributions over the entire career, UB.
Scenario 02 – Special Unemployment Benefit	Single, age 40 years, no children, without a job, 2 months out of work, 264 months of social contributions over the entire career, SUB. It is important to note that in assessing the adequacy of the SUB's Net Replacement Rate (NRR), the Impact Assessment (IA) limited its analysis to a single-person household. This narrow approach does not fully reflect the structure of the SUB, which provides a flat-rate weekly benefit to the unemployed head of household, along with additional flat-rate amounts for each eligible household member. The IA was able to estimate the SUB NRR using the Total Benefit Model (TBM) since, at the time of the assessment, the Unemployment Benefit (UB) was a flat-rate model. However, this is no longer the case with the 2024 V2.7 earnings-based UB model.

[26] Note: The OECD official site concerning country specific rules applied in the TaxBEN model only presents the 2023 version.
[27] https://legislation.mt/eli/ln/2021/331/eng.
[28] Ibid.
[29] Ibid.
[30] Based on October-December Q4, 2021, Labour Force Survey, 04/2021, 043/2022, 14th March 2022.

Scenario 03 – Unemployment Assistance	Single, age 40 years, no children, without a job, 12[31] months out of work, 264 months of social contributions over the entire career, unemployment benefits, social assistance.

Table 06 presents the NRR for the UB and SUB as simulated on the 2021 TBM model. It also compared the NRR UB and SUB adequacy levels to the EU median and the ILO benchmark.[32]

Table 06: Net replacement rates of current unemployment benefits and special unemployment benefits compared to the EU median and International Labour Organisation definition[33]

	Net replacement rates using the OECD TBM calculator and average wage				
	Malta			**EU Median**	**ILO**
Previous in-work earnings	**UB**	**SUB**	**UA[34]**		
National Minimum Wage	55.7%	66.2%	72.0%	65.0%	50.0%
Average Wage	24.7%	29.3%	32.0%	59.0%	45.0%
67% of Average Wage	34.4%	40.9%	45.0%	65.0%	45.0%

The IA found:

01. Concerning the UA, this results in a "more positive assessment for the same cohort of income earners after twelve months of unemployment … In these cases, the NRR is either higher than the EU median, particularly when compared to the NMW, or at par with it, when expressed at 67.0% and 100.0% of the AW".[35]

0. While the NRR for a single person without children earning the NMW is one of the lowest in the EU, it is relatively closer to the EU median, standing 10 p.p. below the 65% median. The situation worsens for those whose earnings are 67% of the AW and the AW, with an NRR of just 32.0% and 23.0%, compared to the EU median of 65% and 59.0%, respectively.[36]

03. For a single person earning the NMW, the NRR was estimated at 55.7%. This rate drops significantly for higher earners: 34.4% for those earning 67% of the AW and 24.7% for those at the AW level.

04. The SUB rates offer higher NRRs, particularly for NMW earners, but fall short of the EU median and ILO adequacy standards. At 67% of the AW, the SUB NRR is 40.9%, dropping to 29.3% at the AW level.[37]

The IA presented four options for a new tapered approach to increase the adequacy of the unemployment benefits. The four options ranged from the most conservative (Option 01) to meeting the EU median regarding replacement to previous in-work earnings (Option 03).

[31] As per Independent Assessment evaluation, this scenario represents the same cohort of income earners after twelve months of unemployment, at which point non-contributory benefits (such as unemployment assistance) would have kicked-in once the maximum duration of the unemployment benefits have elapsed: Pg 100, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

[32] The ILO benchmark is based on the following: (a) Article 67 of Convention 102, which recommends a minimum NRR of 45% of previous earnings for at least 26 weeks; and (b) Convention No. 168 which sets a higher standard for lower-income earners, recommending a benefit of no less than 50% of the NMW for 26 weeks.

[33] Pg 139, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

[34] Pp 97-99, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

[35] Pg 138, Ibid.

[36] Ibid.

[37] Pg 139, Ibid.

The IA in Box 5 titled 'Final recommended rates for the proposed improvements of contributory unemployment benefits' concludes that:

> "… the new recommended rates for the contributory unemployment benefits, differentiating between those who earn a minimum wage and those who in employment earned more than the minimum wage, should be designed on the general principles of achieving the 65% NRR as established by the OECD TaxBen Calculator for the Minimum Wage earners, and aiming at the 45% ILO suggested indicator for those earning above the Minimum Wage."[38]

Adding that the current unemployment benefit rates would still fall short of the non-contributory UA, it recommended that, based on the 2021 TBM, the unemployment benefit rates that would apply for those whose previous in-work earnings were equivalent to the NMW would achieve an NRR of 65% as presented in Option 3 for the NMW cohort. [39]

The IA concluded that a new UB adequacy mechanism should be introduced based on the following general principles:

(a) Achieving the 65% EU Median of the NRR as established by the 2021 TBM for the NMW earners.

(b) Aiming at the 45% ILO suggested benchmark for those earning above the NMW.

Table 07 presents recommendations proposed by the IA directed to improve the UB NRR adequacy level.

Table 07: Recommendations presented in the Independent Assessment to Improve Contributory Unemployment Benefit Adequacy[40]

<table>
<tr><td colspan="2">Pre-Reform
Daily Rate as of 2021</td><td colspan="5">Reform proposed by the Independent Assessment in 2022</td></tr>
<tr><td colspan="2">UB</td><td colspan="5">The net replacement rate of 65% for the NMW Cohort</td></tr>
<tr><td rowspan="2">Single / Married person maintaining a spouse not in F/T employment</td><td rowspan="2">€13.12</td><td rowspan="4">In-work earnings</td><td rowspan="2">= NMW</td><td rowspan="4">Daily Rate</td><td>First 10 Weeks</td><td>€15.25</td></tr>
<tr><td>Remaining 16 weeks</td><td>€12.50</td></tr>
<tr><td>Additional Other Person</td><td>€8.58</td><td>> NMW</td><td>First 10 Weeks</td><td>€26.50</td></tr>
<tr><td colspan="2" rowspan="2">Special Unemployment Benefit</td><td rowspan="2"></td><td>Remaining 16 weeks</td><td>€18.25</td></tr>
<tr><td rowspan="3">Indexation</td><td>= NMW</td><td colspan="2">No change</td><td rowspan="3"></td></tr>
<tr><td>Single / Married person maintaining a spouse not in F/T employment</td><td>€22.03</td><td>> NMW</td><td colspan="2">TBM calculator and capped at the annual LFS average basic wage in the previous year.</td></tr>
<tr><td>Additional Other Person</td><td>€14.54</td><td>Extending € of NWM</td><td></td><td colspan="2">By 5.0% (proposed as an example)</td></tr>
</table>

[38] Pg 152, Ibid.

[39] Pg 152, Ibid.

[40] Note: Rates referred to are daily rates. The weekly rate is based on 6 days.

The IA added that annual adjustments indexed to the NMW percentage increases have clearly shown that they often lag behind the faster growth rates of the AW, causing unemployment benefits to fall behind. It underlined that maintaining the current adjustment formula risks rendered the revised improved adequacy NRR of the unemployment benefit rates inadequate within a short period following their implementation. The IA, thus, recommended that annual increases for unemployment benefits - especially for those earning above the NMW - be calculated using the TBM, with a cap set at the previous year's AW as per the Labour Force Survey (LFS).[41] The IA further concluded that in analysing 2019 MSPC data on unemployed beneficiaries, it found that about 10% of those earning above the NMW made only €10 or less per week over the NMW.

The IA posited that this creates an anomaly in the UB framework, as these individuals would qualify for higher rates meant for earners above the NMW. The IA thus recommended that to address this, the new UB framework could consider extending the NMW bracket to include those earning slightly above the NMW, such as up to 5% more.[42]

The MSPC, while not fully implementing the earnings-based UB adequacy mechanism as presented in the IA, adopted its core principles in designing the new UB system. This revised mechanism replaced the previous flat-rate structure with an earnings-based approach, linking the UB to a minimum threshold equivalent to the NMW and capping it at 175% of the NMW. This transition reflects the MSPC's commitment to aligning unemployment benefits with individual earnings, thereby improving fairness and adequacy for beneficiaries. A key recommendation from the IA that the MSPC embraced was the introduction of tapering in the UB mechanism to encourage quicker re-entry into the workforce. However, instead of the two tapering stages proposed by the IA, the MSPC established a more nuanced three-stage tapering structure. Under this model, the initial stage provides a UB equal to 60% of earnings for the first six weeks, which is gradually reduced by 5 percentage points per stage, reaching 50% by the third stage for the remaining 20 weeks of the entitlement period. This approach sought to balance income support with incentives for beneficiaries to return to employment promptly.

Notably, the MSPC did not adopt the IA's recommendation to index the new UB mechanism to a formula that maintains an automatic relationship with the AW.

02.2.2 Assigned Score under the International Social Security Association Modified Framework

Table 08 displays the score assigned by the IA under the modified ISSA framework.

Table 08: Scores Assigned by the Independent Assessment under the Modified ISSA Model for Unemployment Benefits Adequacy

Key Performance Indicator	Total Score as per Modified Model	Assigned Score by IA	Notes
Coverage level	100	78	All KPIs were fully addressed.
Period of entitlement to unemployment benefits	100	58	All KPIs were fully addressed.
Unemployment benefit levels	100	79	All KPIs were fully addressed.
Eligibility conditions	100	56	No scores were provided for the KPIs related to (a) the effective use of sanctions and (b) the possibility of appealing sanctions. The IA recommended that Jobplus be consulted. Regarding (a), data for 2021 was presented.

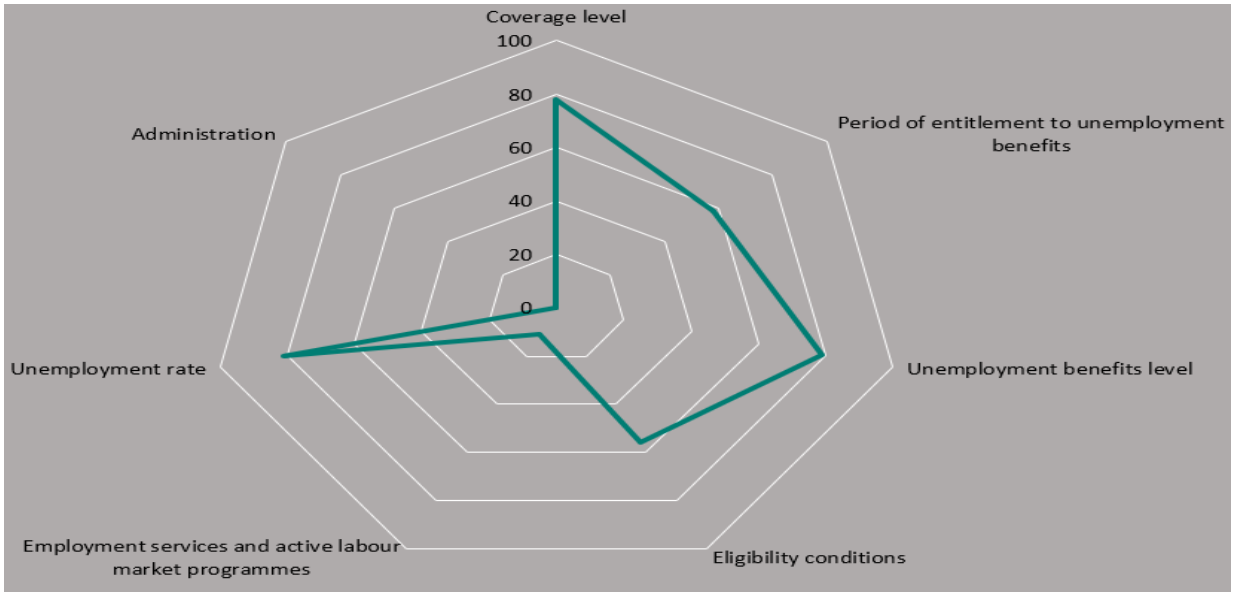
[41] Pg 153, Ibid.

[42] Ibid.

Employment services and labour market activities	99	11	Of the 7 KPIs, only the ratio of jobseekers receiving assistance from the PES has been scored. For the remaining KPIs, the IA recommended that Jobplus be consulted. The 2021 data includes the number of tapering benefit recipients, in-work beneficiaries, children enrolled in free childcare, SA beneficiaries, and individuals transitioning from SA to tapering benefits.
Unemployment rate	100	81	All KPIs were fully addressed.
Administration	100	0	No data was presented. Reference is made to the collection of data from MSPC.
Supplementary Indicators	These KPIs are not subject to a score.		All KPIs were fully addressed.

Figure 01 illustrates the scores assigned by the IA for the KPIs on the modified ISSA scoreboard. However, as noted in **Table 07**, this IA is incomplete, as *several KPIs were not assigned scores*.

Figure 01: Independent Assessment Scores Assigned to Each Performance Indicator under the Modified ISSA Adequacy Model



03.1 Statutory Changes Implemented by the Government Affecting Unemployment Benefits Adequacy Since the 2022 Independent Assessor's Evaluation

The government, on 6th January 2024, introduced a new earnings-based UB mechanism. The framework of the new earnings-based UB mechanism is outlined in **Table 09**, which reflects the government's and MSPC's commitment to offering adequate support for unemployed individuals. The core design principles of this new UB mechanism are:

- The mechanism anchors the UB to a percentage of an individual's pre-unemployment earnings, with thresholds ranging from 100% of the NMW to a maximum of a capped 175% of the NMW. This approach introduces flexibility and ensures that the UB is proportionate to prior income, addressing disparities in pre-unemployment earnings.

- By establishing a clear income-based framework, the system seeks to provide targeted support to both low- and middle-income earners while maintaining fiscal discipline.

- The tapered phased reduction discussed in the previous Chapter aims to incentivise re-entry into the workforce while providing diminishing support over time to nudge persons away from long-term UB dependency.

- The minimum threshold and maximum ceilings are pegged to the NMW and will increase annually as a result of any increases to it.

Table 09: New Earnings-Based Unemployment Benefit Mechanism introduced by the Department for Social Security from 6th January 2024

Unemployed	**Earnings / Salary**	
First six weeks	Starts at 60%	
Following 10 weeks	55%	
Last 10 weeks	Falls to 50%	
Rate	**Calculation**	**Daily / €**
Maximum	175% of the NMW	33.63
Minimum	100% of NMW	19.21

Table 10 outlines whether other statutory requirements relevant to this MR, specifically concerning the UB, SUB and UA, were introduced or remained unchanged between 2022 and 2024. By examining these requirements, the table highlights potential shifts in policy, eligibility criteria, or benefit levels that may impact the effectiveness and fairness of the UB, SUB and UA systems. This analysis provides a comprehensive view of the regulatory landscape and its implications for unemployment benefit adequacy during the specified timeframe.

Table 10: Statutory Changes Impacting Unemployment Benefits between 2022 and 2024

<table>
<tr><th>Benefit</th><th>Statutory Eligibility Criteria</th><th>Entitlement Benefit</th></tr>
<tr><td>Unemployment Benefit (Contributory)</td><td>No changes were made.</td><td>A new mechanism has been introduced, effective 6th January 2024, as outlined in Table 06. The updated UB system transitions from a flat rate to an earnings-based model, linked to the NMW, ranging from 100% to 175%. Fixed flat rates have been established for both minimum and maximum thresholds.</td></tr>
<tr><td>Special Unemployment Benefit (Hybrid)</td><td>No changes were made.</td><td>
<table>
<tr><th></th><th>2021</th><th>2024[43]</th></tr>
<tr><th></th><th>€</th><th>€</th></tr>
<tr><td>Single Parent / married supporting a married spouse who is not employed on a full-time (F/T) basis</td><td>22.03</td><td>23.45</td></tr>
<tr><td>Any other person</td><td>14.68</td><td>15.47</td></tr>
</table>

It should be noted that the minimum and maximum daily rates for the new earnings-based UB mechanism are €19.21 and €33.63, respectively. The SUB flat rate in 2024, as presented in the Third Schedule of the SSA, is €4.24, or 22.07%, higher than the minimum rate of the new UB mechanism and €10.18 and lower by 43.41% compared to the UB maximum rate.
</td></tr>
<tr><td>Unemployment Assistance</td><td>Changes were made to the award if the Cost of Living Adjustment (COLA)</td><td>The government implemented changes to provide the full COLA to UA and Social Assistance (SA) recipients starting in January 2023. Before this change, UA recipients received only two-thirds of the annual COLA adjustment. The shift to the full COLA aimed to enhance financial support for unemployed individuals, better aligning UA with inflationary pressures and helping protect recipients' purchasing power amid rising living costs. This adjustment reflected a broader effort by the government to improve social welfare benefits and provide more robust support to those in need.
<table>
<tr><th></th><th>2021</th><th>2024</th></tr>
<tr><th></th><th>€</th><th>€</th></tr>
<tr><td>A household of one eligible member only (single person)</td><td>109.43</td><td>133.89</td></tr>
<tr><td>Any other eligible person in the household</td><td>8.15</td><td>8.15</td></tr>
</table>
</td></tr>
<tr><td>Cost of Living Allowance</td><td colspan="2">2022: The Cost of Living Allowance (COLA) adjustment was €1.75 per week for all employees, pensioners, and social benefit recipients. This increase was based on the inflation rate calculated over the previous 12 months.

2023: Due to higher inflation rates influenced by global economic factors, the COLA adjustment 2023 was significantly higher, at €9.90 per week. This was the largest COLA increase in Malta's history, reflecting a substantial rise in the cost of living.</td></tr>
</table>

[43] XXXIII of 2024, Third Schedule, Social Security Act: https://legislation.mt/eli/cap/318/eng. Referenced on 4th December 2024.

	Regarding the impact of the COLA on the new earnings-based UB mechanism, which is pegged to the NMW, the following should be noted: o The COLA for a particular year is applied on an ***n+1*** basis. This means the COLA calculated is based on the full 12-month calendar inflationary impact for 2023. o The 2023 COLA is added to the 2024 NWM (or any other wage, as there is no upper limit on the wage levels to which the COLA is applied and worker, regardless of their earnings, receive the COLA adjustment added to their basic wage). o The NMW in 2024 reflects the COLA derived from the inflation data in 2023. This approach ensures that wage adjustments fully account for the actual inflation that occurred over a calendar year, thereby maintaining the purchasing power of workers and addressing the lag between inflation occurrence and wage adjustment.	
Mechanism establishing the Additional Benefit to counter the Cost of Living	In 2023, the Government introduced a new mechanism aimed, subject to defined thresholds, at covering costs 'calculated in accordance with the expenses of persons aged 65 and over.'[44] Since this mechanism is specifically targeted at pensioners, it has no impact on unemployment benefits."	
National Minimum Wage	Restructured	The NMW framework was restructured in late 2023 in response to the significant inflationary pressures experienced since 2021. This is discussed below.

The declining application of the SUB within the unemployment benefits system is noteworthy. Between 2011 and 2023, the ratio of individuals entitled to the SUB compared to those receiving the UB has averaged 1 to 4.5/5. Even with a notable rise in unemployment figures in 2022 and 2023—reaching an average of 1,112, the highest since 2011 (compared to an average of 453 annually between 2011 and 2021)—the number of SUB recipients over these two years remained at just 85.

03.1.1 National Minimum Wage

The new earnings-based UB mechanism is directly indexed to the NMW, making the relationship between UB and the NMW a central element in the new earnings-based formula. The NMW's trajectory over time fundamentally determines the UB's NRR adequacy. In 2022, almost all MS, including Malta, experienced a decline in real wages despite nominal wage increases. This trend was driven by tight market conditions following the pandemic, ongoing supply chain disruptions, the war in Ukraine, heightened inflationary pressures, etc.

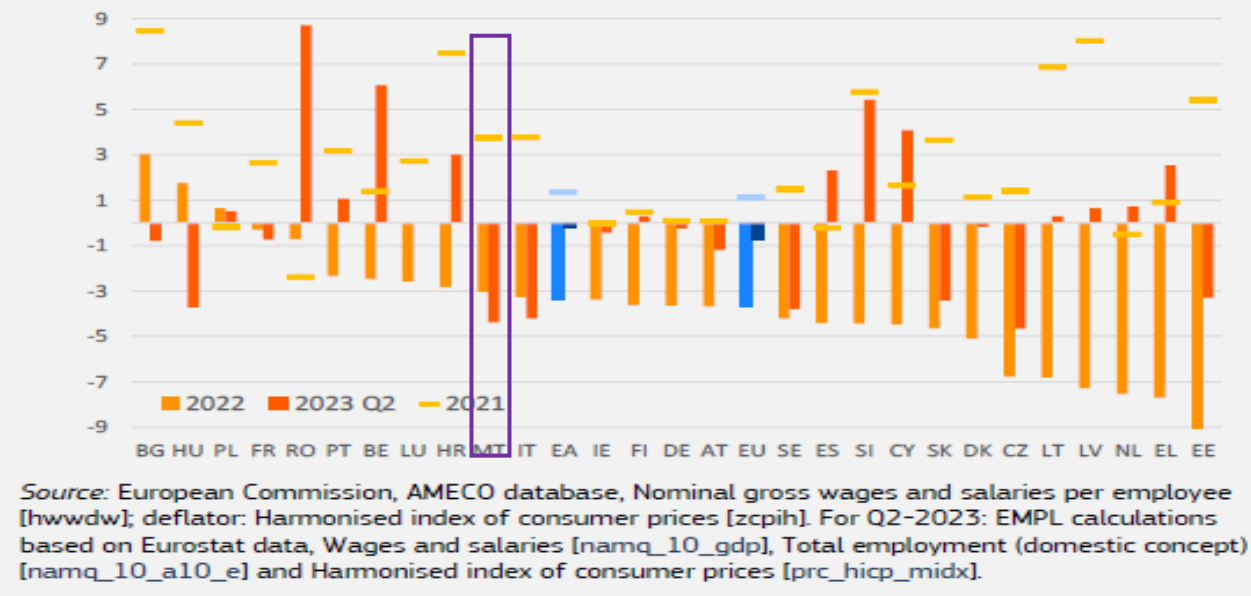
In Malta, inflation peaked at approximately 7.5% in October 2022. As illustrated in **Figure 02**, real gross wages per employee in Malta decreased year-on-year (YoY) by about 3% in 2022 and fell further by 4.7% in the second quarter (Qn) of 2023. Although the overall inflation rate moderated in 2023, declining to 3.9%, the cost of essential items like food and non-alcoholic beverages continued to pressure households significantly. For instance, in November 2023, the inflation rate for this category remained high, at 8.2%, reflecting persistent price pressures on essential goods. These conditions underscore the critical role of the NMW in maintaining UB adequacy. [45]

[44] https://legislation.mt/eli/cap/318/eng.

[45] https://timesofmalta.com/article/malta-inflation-39-november-eurozone-24.1073829.

The impact of inflation in Malta and other MS is particularly pronounced for low-wage earners disproportionately affected by high energy and food prices. The 2024 Joint European Report (JEC) report highlights that adequate NMW can play a crucial role in safeguarding the purchasing power of these workers, thereby reducing in-work poverty and bolstering work incentives.[46] The JEC report further emphasises the importance of the EU Minimum Wage Directive (MWD), which was adopted on 4th October 2022. The transposition of this Directive is seen as a vital step toward protecting low-wage earners from economic hardship. By setting out a framework for adequate NMW, the Directive aims to prevent increases in in-work poverty and strengthen work incentives. Social partners are expected to be instrumental in implementing this Directive, ensuring it reflects workers' economic realities and needs across the EU.[47]

Figure 02: Decreases in Real Wages of Member States between 2021 and 2024[48]



Source: European Commission, AMECO database, Nominal gross wages and salaries per employee [hwwdw]; deflator: Harmonised index of consumer prices [zcpih]. For Q2-2023: EMPL calculations based on Eurostat data, Wages and salaries [namq_10_gdp], Total employment (domestic concept) [namq_10_a10_e] and Harmonised index of consumer prices [prc_hicp_midx].

Through the MWD, the EC underscores the role of adequate NMW to offer targeted relief to low-income workers, who are particularly vulnerable to price shocks in essential goods and services. The MWD's emphasis on a collaborative approach with social partners ensures that each MS's unique needs are considered, fostering a more resilient and equitable labour market. The EU MWD encourages MS to set their NMW according to a benchmark commonly known as the 'double decency threshold'. This threshold serves as a normative guideline, establishing a standard that reflects adequate wage levels. While not legally binding, the Directive recommends that MS use these benchmarks to ensure NMWs contribute effectively to improving the living standards of low-wage earners and reducing in-work poverty. The "double decency threshold" comprises the following components:

- **At least 60% of the gross median wage (GMW)**: This benchmark ensures that the NMW aligns with the broader wage distribution, targeting a wage floor that is both fair and sustainable. By setting the NMW at or above 60% of the GMW, MS aim to establish a wage that reflects the typical income level within the workforce, thereby helping to close income gaps and reduce inequality among workers.

- **50% of the AW**: Setting the NMW at this level ensures a connection to a country's overall economic performance and productivity. By linking the NMW to the AW, the benchmark aims to provide workers with a wage corresponding to broader economic growth, helping maintain a consistent living standard and purchasing power for low-wage earners.

[46] Ibid.
[47] Ibid.
[48] Pg 9, Joint Employment Report 2024, As adopted by the Council on 11th March 2024, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2024.

A 2024 report by Eurofound, titled "Industrial Relations and Social Dialogue – Minimum Wages in 2024: Annual Review", highlights that MS in 2023 engaged in a process leading to substantial increases in NMW rates in 2024. These increases translated into real-term wage growth across most countries depending on the inflation measures applied. This growth played a critical role in restoring the purchasing power of NMW workers, who had experienced significant losses between 2021 and 2023. As a result, the report notes that real NMW values have risen in almost all countries from 2020 to 2024.[49]

The report further emphasises that the EU MWD has acted as an additional "pull" factor, encouraging MS to align their NMW levels with specified benchmarks related to actual wage distributions. This resulted in notable increases in the nominal rates, which translated into a better outlook regarding the improvement in the real rates. This is presented in **Figure 03**.

Figure 03: Gross nominal national minimum wages, 22 EU Member States, 2023 and 2024[50]

Country	Converted values per month			National rates and developments			Change 2022–2023 (%)
	2023 (€)	2024 (€)	Change (%)	2023 (€ unless otherwise stated)	2024 (€ unless otherwise stated)	Change (%)	
Luxembourg	2,387	2,571	7.7	2,387/month	2,571/month	7.7	5.8
Ireland	1,910	2,146	12.4	11.3/hour	12.7/hour	12.4	7.6
Netherlands	1,934	2,070	7.0	1,934/month	2,070/month	7.0	12.1
Germany	1,987	2,054	3.4	12.00/hour	12.41/hour	3.4	22.2
Belgium	1,955	1,994	2.0	1,955/month	1,994/month	2.0	15.6
France	1,709	1,767	3.4	1,709/month	1,767/month	3.4	6.6
Slovenia	1,304	1,358	4.2	1,304/month	1,358/month	4.2	12.0
Spain	1,260	1,323	5.0	1,260/month	1,323/month	5.0	8.0
Cyprus	940	1,000	6.4	940/month	1,000/month	6.4	n.a.
Poland	746	978	31.1	PLN 3,490/month	PLN 4,242/month	21.5	15.9
Portugal	887	957	7.9	887/month	956.66/month	7.9	7.8
Malta	835	925	10.8	192.73/week	213.5/week	10.8	5.4
Lithuania	840	924	10.0	840/month	924/month	10.0	15.1
Greece	832	910	9.4	832/month	910/month	9.4	7.5
Croatia	700	840	20.0	700/month	840/month	20.0	12.2
Estonia	725	820	13.1	725/month	820/month	13.1	10.9
Czechia	717	764	6.6	CZK 17,300/month	CZK 18,900/month	9.2	6.8
Slovakia	700	750	7.1	700/month	750/month	7.1	8.4
Latvia	620	700	12.9	620/month	700/month	12.9	24.0
Hungary	579	697	20.4	HUF 232,000/month	HUF 266,800/month	15.0	16.0
Romania	606	663	9.4	RON 3,000/month	RON 3,300/month	10.0	17.6
Bulgaria	339	477	19.6	BGN 780/month	BGN 933/month	19.6	9.9

The Eurofound report highlights that while some MS have begun aligning their NMW levels with percentages of the AW or GMW, as recommended by the EU MWD, there has been limited emphasis on whether these rates are adequate in absolute terms to ensure a decent standard of living. This lack of widespread consideration suggests that, although MS may adhere to suggested benchmarks, the focus on achieving genuine wage adequacy remains uneven across the EU.[51]

[49] Pg 5, Eurofound (2024), Minimum wages in 2024: Annual review, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg.
[50] Note**:** 2023 data refer to January 2023 and 2024 data refer to January 2024. Columns headed 'Change (%)' present the growth rates.
[51] Pg 1, Eurofound (2024), Minimum wages in 2024: Annual review, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg.

Malta's approach to ensuring the adequacy of the NMW differs from the 'double dependency' thresholds linked to the GMW and AW as an automatic indexation mechanism, which the EU MWD encourages MS to adopt. Rather, Malta adopted a collective bargaining approach, which is also one of the mechanisms that can be established under the EU MWD for achieving adequate NMWs. The government in 2023 established the Low Wages Commission (LWC) (initially planned to be introduced in 2020[52] but was delayed due to the pandemic and resulting impacts) with the objectives of: [53]

(a) Determining whether the NMW needs reviewing.

(b) Ensuring that minimum wages are set at an adequate level.

(c) Defining the national criteria constituents of the NMW.

(d) Considering trends in the price level and increases in several selected collective agreements for employees on low-level grades.

(e) Specifically ascertaining that any change in the NMW is affordable regarding sectoral vulnerabilities, competitiveness and productivity gains.

(f) Ensuring NMW adequacy and the timely and effective involvement of the social partners in the review and evaluation of the adequacy of the NMW.

The LWC must submit its recommendations to the Prime Minister (PM) and the responsible Minister every four years. However, due to delays[54] in its establishment and the pressing need to address inflation quality of life impacts between 2021 and 2023 on low-income families (particularly those affected by high inflation on food and non-alcoholic beverages), the LWC's first report was expedited to be submitted within a few months of its formation in 2023. The LWC's recommendations drew on the EU MWD, using the benchmarks of 60% of the GMW and 50% of the AW as reference points to evaluate the adequacy of Malta's NMW.[55] In October 2023, the government and social partners agreed to restructure the NMW framework. As part of this agreement, a weekly supplement of €8 was added to the NMW to help offset the impacts of inflation experienced in 2023. This adjustment alleviated the financial strain on low-income households disproportionately affected by rising prices.

Before the 2023 agreement, Malta's NMW was set at €192.73 per week. This rate represents the 'basic' NMW, excluding additional statutory payments such as bonuses, overtime, allowances, etc. However, the NMW is subject to social security contributions, ensuring workers access essential benefits and protections.[56] **Table 11** outlines the scheduled increases in the NMW that will take place between 2024 to 2027 under the October 2023 agreement. These planned adjustments indicate a commitment to raise the NMW over the term of the agreement gradually. By scheduling NMW increases through 2027, the agreement offers a degree of predictability and transparency for both workers and employers. This approach addresses the immediate need for wage improvements and establishes a roadmap for future adjustments.

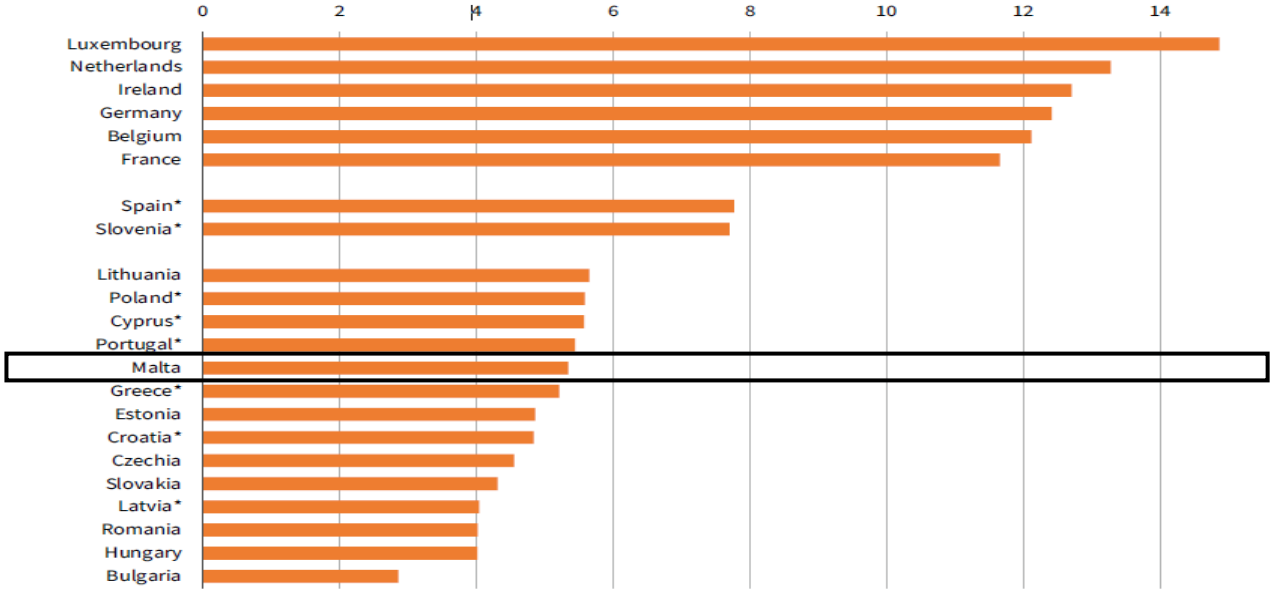
[52] https://www.independent.com.mt/articles/2023-10-26/local-news/The-minimum-wage-will-rise-to-213-54-per-week-by-the-1st-of-January-6736255915.
[53] Legal Notice 66 of 2023, 'Low Wage Commission Regulations, 2023', Malta Council for Economic and Social Development Act [CAP. 431].
[54] The Low Wage Commission was to be established in 2020. It took longer to be established due to the pandemic which disrupted the economy and labour market. The LWC was established at the beginning of 2023 in adherence to the EU Directive 2022/2041 of the European Parliament on adequate minimum wages, which stated that all Member States must adhere to the directive till 15 November 2024.
[55] Pg 48, Eurofound (2024), Minimum wages in 2024: Annual review, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg.
[56] https://www.eurofound.europa.eu/en/topic/minimum-wage/malta.

Table 11: Scheduled increases in the National Minimum Wage from 2024 to 2027

Year	Adjusted Increase	New NMW / Week
		€
2024	Adjusted to €200.73, plus the COLA for 2024	213.54[57]
2025	To increase to €203.73	€206.73 plus the 2024 and 2025 COLA
2026	To increase to €206.73	€206.73 plus COLA 2024, COLA 2025 and COLA 2026
2027	To increase to €210.73	€210.73 plus COLA 2024, COLA 2025, COLA 2026 and COLA 2027

As illustrated in **Figure 03**, the increase in NMW from €192.7 per week to €213.5 per week represents a rise of €20.8, or 10.8%. This significant hike places Malta among the top ten countries in the EU where NMW nominal increases reached or exceeded 10%.[58] Such a substantial adjustment underscores Malta's commitment to improving wage adequacy and supporting low-income workers, particularly in light of inflation and cost-of-living pressures. When assessing NMW levels, hourly rates accurately depict the realities faced by part-time and reduced-hours minimum wage earners. These rates facilitate comparisons across MS and highlight disparities in wage levels, which are particularly pronounced across different MS, as shown in **Figure 04**. [59]

Figure 04: Notable disparities between countries in gross hourly national minimum wages, 22 EU Member States, nominal terms, January 2024 (€)[60]



[57] Legal Notice 287 of 2023, National Minimum Wage National Standard Order, 2023, Employment and Industrial Relations Act [CAP. 452].

[58] Pg 5, Ibid.

[59] Pg 7, Ibid.

[60] For most countries, hourly minimum wages are legally defined at hourly rates, sometimes in addition to a monthly definition. For countries marked with *, rates have been converted to an hourly rate by considering the average number of usual weekly hours of work (Eurostat [lfsa_ewhun2]) and 4.33 weeks of work per calendar month. This conversion is based on the average hours worked among all employees, so it could result in an underestimation of minimum wage hourly rates in countries where working hours among minimum wage workers are below the national average.

These cross-country differentials reflect varying economic conditions, productivity levels, and cost-of-living factors across the EU. They also highlight the significant progress some countries, including Malta, make to boost minimum wages in a way that aligns with broader EU goals. However, while increases in NMW rates can help narrow the wage gap, the differences in absolute terms suggest that NMW earners in lower-wage countries still face considerable challenges in achieving a comparable standard of living.

The Eurofound study reveals that the purchasing power of the NMW improved across all MS except France. In most cases, the degree of real-term improvements closely mirrored the scale of the nominal increases in NMW rates, which varied significantly between countries. From January 2023 to January 2024, nominal NMW hikes across the EU ranged from below 5% to over 15%, as shown in **Figure 04**. [61] The real-term calculation of NMW changes is sensitive to the inflation measure used. Considering price changes between January 2023 and January 2024, a broad picture emerges of improved purchasing power for NMW earners. However, the outcomes shift when the average inflation rate over 12 months (February 2023 to January 2024) is used instead. Due to the deceleration in inflation throughout 2023 and 2024, the gains in real purchasing power are less pronounced with this measure.[62] While most countries still exhibit improvements, albeit to a lesser extent, a few countries[63] experienced a loss in real purchasing power under the 12-month average measure. This variation underscores the importance of the inflation measure chosen when assessing real-term changes in NMW. As inflation began to decelerate, the apparent improvements in NMW purchasing power became less robust and, in some cases, insufficient to fully counteract inflationary pressures over the year fully.

Concerning Malta:

- Real change, monthly inflation: Based on the change in inflation from January 2023 to January 2024, Malta saw an approximate 6% real increase in the purchasing power of the NMW.

- Real change, 12-month moving average inflation: When the 12-month average inflation is considered, Malta's NMW registered a real-term increase of about 5%, reflecting the moderation in inflation over this period.

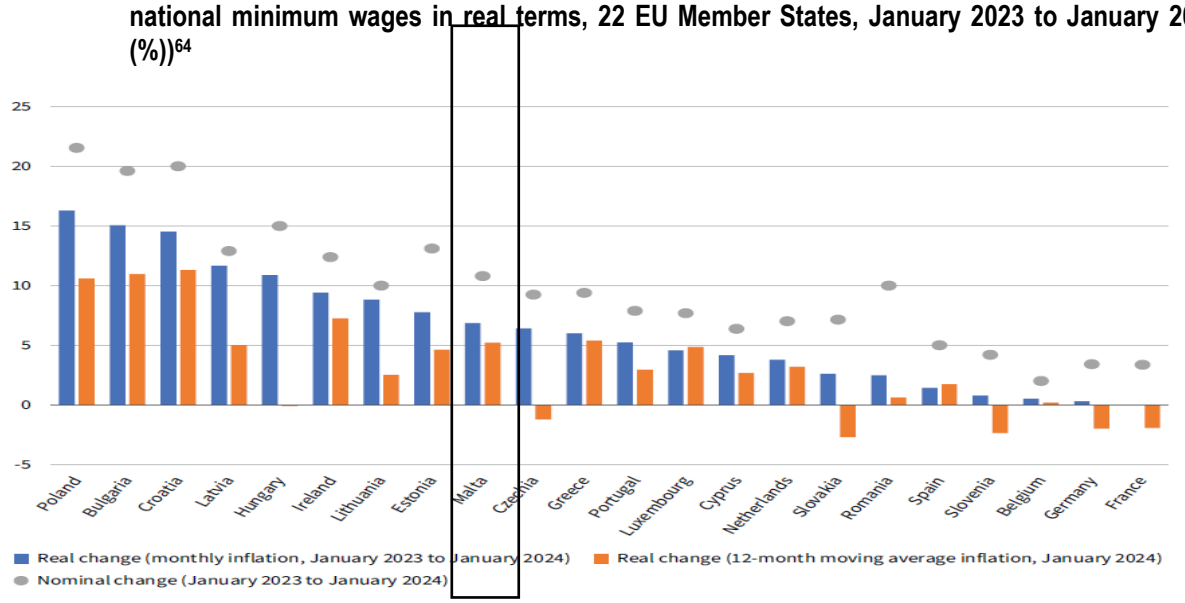
- Nominal change: As previously noted, Malta's NMW experienced a 10.8% nominal increase over the same timeframe, positioning the country among those with the highest nominal gains in NMW rates.

These figures illustrate how Malta, like many other MS, has successfully enhanced the purchasing power of NMW earners. However, the real impact varies based on inflation measures, emphasising the importance of ongoing adjustments to the NMW to keep pace with economic conditions. As inflation rates continue to evolve, Malta must remain vigilant in monitoring the adequacy of NMW levels given that retaining UB NRR adequacy levels for sustained improvements in unemployed workers' purchasing power and living standards is, under the new UB framework, dependent on the relationship between the UB and the NMW. The LWC mechanism adopted by Malta mandates that a scheduled review report be presented to the government every four years – the next one by 2027 - may not enable rapid adjustments during periods of acute economic instability or inflationary crises, such as those experienced between 2020 and 2023. In times of sudden or sustained inflation, a fixed review period could result in delayed wage adjustments, leaving NMW earners vulnerable to rapidly rising costs of living.

Without an indexing mechanism tied directly to economic indicators like the AW or 67% of the AW or the EU MWD benchmarks, the NMW, and hence the UB NRR, may struggle to keep pace with volatile economic conditions, potentially eroding purchasing power. Malta's current approach, while the LWC's four-year report can provide comprehensive and long-term guidance, lacks a built-in automatic indexing mechanism and may require ad hoc LWC supplementary measures or interim adjustments to ensure that the NMW and the UB NRR levels remain adequate between the scheduled reviews in the face of economic shocks and disruptions as experienced between 2021 and 2023.

[61] Pg 10, Eurofound (2024), Minimum wages in 2024: Annual review, Minimum wages in the EU series, Publications Office of the European Union, Luxembourg.
[62] Ibid.
[63] These include Slovakia, Slovenia, Germany, France, Czechia, and Hungary (though the decline in Hungary was minimal).

Figure 05: Generalised gains in purchasing power among minimum wage earners (rate of change in gross national minimum wages in real terms, 22 EU Member States, January 2023 to January 2024 (%))[64]



03.2 Assessing Net Replacement Rate of the New Earnings-Based Unemployment Benefit and Unemployment Assistance relative to the Independent Assessment and other Scenarios

The TBM calculates the NRRs for unemployment benefits using two primary benchmarks: the NMW and the AW. These benchmarks ensure consistency and comparability across countries, providing a standardised framework for evaluating the adequacy of unemployment benefits. This approach aligns with policy goals, such as the ILO's recommendations, by offering insights into the support provided to low- and middle-income earners. The NMW reflects the lower end of the earnings spectrum, assessing the adequacy of benefits for low-income workers and vulnerable groups. Conversely, the AW represents typical earners within the broader workforce, allowing evaluations of benefit systems' effectiveness for average-income individuals. This dual approach ensures that key income levels are included in policy evaluations.[65] The TBM further simplifies modelling by allowing adjustments to the AW, which can be varied between 1% and 200%. However, the statutory NMW is fixed and non-adjustable within the model.

While this structure supports cross-country comparisons, it introduces limitations for granular analyses. Systems like Malta's 2024 earnings-based UB mechanism, which operates on thresholds ranging from 100% to 175% of the NMW, highlight this challenge. Since the TBM does not permit direct adjustments to the NMW, it cannot model different income scenarios within this range. Instead, earnings must be converted into proportions of the AW, the only adjustable parameter, to simulate varying income scenarios. This workaround enables granular assessments but adds complexity and may risk misalignment with the model's assumptions.[66]

[64] Data refer to the growth rate between January 2023 and January 2024. Real values have been calculated by deflating nominal rates using monthly data from Eurostat's Harmonised Index of Consumer Prices (HICP), which can lead to slightly different results from calculations based on national non-harmonised consumer price indices. Two real values are calculated by using two inflation measures: one using monthly inflation data and comparing price levels in January 2023 and January 2024 [prc_hicp_midx] (countries are ranked by the magnitude of increase in real rates based on this inflation measure) and one using the 12-month average rate of HICP change, as measured in January 2024 [prc_hicp_mv12r]. 22 Member States with a national minimum wage are included.

[65] The ILO adequacy standards ensure unemployment benefits provide sufficient income support to maintain a reasonable standard of living, protect against poverty, and promote economic stability. These standards prioritise social justice and address the needs of low-wage earners while ensuring equitable support across income groups. The TBM complements these objectives by providing a framework to evaluate the adequacy of unemployment benefits across countries. It calculates NRRs using two benchmarks: the NMW and the AW. These benchmarks assess how benefits support individuals at different income levels, from those earning the minimum to those near the average. Aligning with the ILO's principles, the TBM operationalises adequacy standards, offering consistent data on whether benefits protect low-income earners from poverty and address middle-income earners' financial security. This alignment helps policymakers identify gaps and implement reforms to uphold the ILO's vision of equitable social protection systems..

[66] The TBM, by limiting NRR outputs to fixed reference points, cannot fully account for diverse earnings scenarios, particularly for earnings-based mechanisms. To conduct a detailed evaluation of Malta's new earnings-based UB mechanism and assess NRR adequacy levels across the full income spectrum, external modelling using spreadsheets is necessary. While this approach adds flexibility, it also introduces additional complexity and potential inconsistencies. This MR adopts a complementary spreadsheet-

The following key 2024 OECD TBM Malta policy roles are highlighted:[67]

01. The NSO releases the final AW estimate for the current year (2024) around April / May of the following year. Based on Q1 data, a preliminary estimate is usually available by June/July of the same year. Before the preliminary estimate, the OECD calculates the AW using the latest wage growth projections applied to the most recent available data. Final AW figures for year T are typically published in April / May of year T+1.

Table 12: OECD TaxBEN Model Assumptions on the Average Wage

Year	Forecasted (from OECD)	Preliminary (June/July T)	Final (April/May T+1)
	€		
2023	26,850	27,583	27,351
2024	28,085	28,677	Not yet available

02. The NMW in 2024 is €213.54 per week. The annual NMW is computed by multiplying the weekly NMW (as of January 1, 2024) by 52: €213.54*52 = €11,104.08.

03. The TBM calculates the minimum and maximum UB benefit gross income under the new earnings-based UB mechanism. The model applies the following formula:

NMW = €213.54 per week in 2024

*Maximum amount = (1.75*213.5*0.6)*6+(1.75*213.5*0.55)*10 + (1.75*213.5 *0.5)*10*

04. Following the TBM methodology, this amount is annualised using a multiplication factor of 52/26. The factor of 1.75 in the formula acts as a multiplier representing the maximum threshold **of** 175% of the NMW, the upper limit of the earnings-based range for calculating unemployment benefits under the new mechanism.

05. The TBM incorporates the SA rate in its calculations, with the UA rate being identical to that of the SA. The weekly rate for a single-person UA applied by the TBM for 2024 is €133.89, which translates to a daily rate of approximately €22.32, considering a six-day payment week (Monday to Saturday).

The TBM calculates the UA NRR based on this formula:

$$UA\ NRR = \frac{Net\ Income\ During\ Unemployment}{Net\ Income\ During\ Employment} \boxed{X\ 100}$$

Where:

- *Net Income during employment**:** Gross earnings minus income taxes and social security contributions.*
- *Net Income during unemployment**:** UA received adjusted for applicable taxes and contributions and any other social assistance benefits.*

based methodology to provide a comprehensive understanding of benefit adequacy across a broader range of income scenarios. The TBM's limitation in addressing more dynamic or earnings-dependent systems, such as Malta's UB mechanism, is outlined in Chapter 01. This chapter also details the complementary approach used to conduct a granular analysis. The analysis spans earnings scenarios between the minimum threshold of 100% of the NMW and the 175% NMW cap. Additionally, it evaluates the UB's NRR adequacy against earnings indicators relating to the GMW.

[67] Pg 1, Cuschieri Magro, J., M., Galea, M, Sammut, Shaun, Apap, Wayne, The OECD Tax-Benefit Database for Malta: Description ofpolicy rules for 2024, OECD, 2024.

03.2.1 Assessment of the Contributory Unemployment Benefit Net Replacement Rate Adequacy Level Relative to Internationally Recognised Reference Indicators and the EU Minimum Workers Directive Benchmarks using the 2024 Tax-Benefit Model

(a).1 *The 2024 TaxBEN Model Net Replacement Rates for the Unemployment Benefit relative to the Internationally Recognised Reference Indicators*

The single UB NRR output generated through the TBM for 2024 is modelled to determine its adequacy relative to the internationally recognised reference indicators (IRRI) of the NMW, the AW, and 67% of the AW.

- **NMW NRR - 61.1%** (highlights the level of earnings replacement for individuals earning the NMW).
- **AW NRR - 50.1%** (provides insights into the adequacy of benefits for average earners).
- **67% of AW NRR - 64.9%** (a key reference benchmark for assessing median-income replacement levels).

Figure 06 provides a TBM graphical representation of the UB NRR relative to the NMW. Graphical representations for the other indicators, as generated by the TBM, are presented in **Appendix 01**.

Figure 06: OECD 2024 TaxBEN Model generated Unemployment Benefit Net Replacement Rate relative to the NMW

(a).2 Analysis of 2024 TaxBEN Model Net Replacement Rates for the Unemployment Benefit Against the EU Median (65% of Average Wage) and ILO (45% of Average Wage) Indicators Used in the 2022 Independent Assessment

The 2024 TBM UB NRR results, together with those generated by the 2021 TBM and assessed in the IA, are evaluated against the EU median (65%) and the ILO 45% of AW indicator, as outlined in **Table 13**, which served as the basis for the IA evaluation and conclusions. The findings reveal the following:

(a) ILO indicator: The 2024 results across all IRRIs exceed the ILO's adequacy benchmarks. This indicates that the UB provides a strong and reliable safety net for workers across all income levels under the new earnings-based mechanism.

(b) EU median: For low-income earners, the NRR approaches the EU median (65.0%), suggesting a competitive level of adequacy. However, for average earners (AW), the gap remains more pronounced (50.1% vs. 59.0%), highlighting an area for improvement in benefit adequacy for this segment.

Further to the above, **Table 13** provides a detailed analysis of the 2024 TBM UB NRR results relative to the IRRIs and compares them with the 2021 results generated by the IA. This comparative perspective highlights progress achieved under the new earnings-based mechanism and areas where further alignment with international benchmarks may be required.

Table 13: Analysis of 2024 TaxBEN Unemployment Benefits Net Replacement Rates compared to the 2021 Model Results generated by the Independent Assessment results Selected Earnings benchmarks

Indicators	Analysis
NMW	The 2024 NRR for UB (61.1%) is significantly higher than the 2021 UB result (55.7%). This improvement reflects greater NRR adequacy for low-income earners under the new mechanism. The 2024 figure aligns more closely with the EU median (65.0%) and exceeds the ILO benchmark (45.0%). The shift reflects a notable policy enhancement to support individuals earning at the NMW.
AW	For UB, the 2024 result (50.1%) is substantially higher than the 2021 result (24.7%). This represents a considerable improvement in benefit adequacy for typical earners. The 2024 result exceeds the ILO benchmark and is approaching the EU median (59.0%). This suggests progress toward improving the NRR for average-income earners, although further alignment with EU norms is needed.
67% of AW	The 2024 NRR (64.9%) demonstrates a sharp improvement compared to the 2021 result (34.4%). This enhancement reflects better support for individuals earning two-thirds of the average wage. The 2024 figure is closely aligned with the EU median (65.0%) and exceeds the ILO. This marks a significant policy achievement, addressing an important income group in replacement rate adequacy.

(a).3 Analysis of 2024 TaxBEN Model Net Replacement Rate for the Unemployment Benefit Relative to the EU Minimum Wage Directive Benchmarks

The EU does not prescribe a specific NRR benchmark of 65% of AW. However, various academic and policy analyses have referenced this figure as a comparative adequacy measure, particularly in higher-income MS. The afore-referenced EC's JEP 2024 report further refines this approach by employing a 67% indicator to assess the adequacy of UB and UA NRRs, reflecting a commitment to robust adequacy standards within the EU.

Consequently, the MR adopts the EU MWD thresholds and the 67% indicator as benchmarks for evaluating UB, SUB and UA NRRs, excluding the IA-applied EU median benchmark of 65%. Given that the 2022 IA evaluation was based on the flat-rate UB mechanism and the MR focuses on the newly introduced 2024 earnings-based UB mechanism, the exclusion of the EU median benchmark of 65% of AW from the MR's analysis does not compromise the validity or comparability of its findings.

The introduction of the EU MWD thresholds marks a significant shift in EU policy, aligning with the principles of the European Pillar of Social Rights (EPSR) on poverty alleviation, equity, and social inclusion. These thresholds—60% of the GMW and 50% of the AW—offer a harmonised yet adaptable framework for assessing income replacement adequacy across diverse economic contexts in the EU.
Unlike global standards such as the ILO's 45% of AW benchmark, which provides a minimum baseline for income security, the EU MWD thresholds reflect a regional progression tailored to MS' socio-economic realities.

Pegging the UB to the NMW (up to 175%) introduces a design element that makes the EU MWD thresholds and IRRIs particularly relevant for evaluating adequacy, as they account for income disparities and inflationary trends. Thus, the MR benchmarks the UB, SUB and UA NRRs against EU MWD benchmarks. By doing so, the MR seeks to evaluate the adequacy, equity, and fairness of social protection systems more effectively, as this provides a robust and cohesive framework for evaluating unemployment benefits and wage-related policies.

As explained, the TBM does not include a parameter to directly calculate the NRR for unemployment benefits relative to the GMW (€20,400). To model the 60% of GMW benchmark (€12,240), the figure must be expressed as a percentage of the AW, corresponding to 42.5%. The TBM UB NRR results are in **Appendix 02**.

- **60% of GMW NRR – Result of 63.7%:** The TBM result shows that the new UB NRR meets and surpasses the EU MWD standard for this threshold. This indicates that the earnings-based UB mechanism effectively provides a safety net for vulnerable individuals, ensuring they have sufficient income replacement to maintain a basic standard of living during periods of unemployment. The alignment with this benchmark underscores Malta's compliance with the EU MWD's goal of combating poverty and social exclusion for low-income earners.

- **50% of AW NRR – Result of 68.8%**: The TBMs result of 68.8% significantly exceeds the 50% benchmark, highlighting the adequacy of UB NRR for average earners. This high level of income replacement reflects the system's capacity to address income disparities and support a broader segment of the workforce. By exceeding this benchmark, the UB system aligns with the EU MWD's objective of fostering fairness and equity in social protection systems.

(a).4 Unemployment Benefit Net Replacement Rates relative to the Internationally Recognised Reference Indicators (a).1 and the EU Minimum Wage Directive Benchmarks (a).3

The UB NRR TBM results relative to the IRRIs and the EU MWD benchmarks suggest that:

- The 2024 TBMUB NRR results demonstrate that the new earnings-based UB system aligns strongly with the EU MWD adequacy thresholds, particularly for low-income and median-income earners, providing robust support for these groups, as the results meet or exceed the EU MWD's double decency thresholds.

- The IRRIs NRR improvements from 2021 to 2024 highlight the positive impact of the new earnings-based UB mechanism in addressing gaps identified in the IA. The move from a flat-rate structure to a proportional earnings-based model enhances fairness and adequacy, particularly for individuals earning closer to the NMW or median income levels.

- The gap between the AW NRR and the EU MWD benchmark (50% of AW) suggests that additional reforms may be needed to ensure full adequacy for average earners. This result indicates adequacy for average earners but also highlights the limited capacity of the system to address potential income replacement gaps for those earning near or above the AW.

(a).5 Comparative Assessment of 2024 TaxBEN Model Net Replacement Rate for the Unemployment Benefit with EU Member States

Figures 14.1 to 14.5 compare the TBM's UB NRRs for each of the IRRIs and EU MWD benchmarks with those of other MS. Specifically relative to:

- NMW and AW, Malta ranks in the bottom quarter.

- 67% of the AW, Malta is positioned in the higher mid-range.

- 60% of the GMW, Malta is in the bottom third.

- 50% of the AW, Malta is in the bottom third.

Figure 07.1: TaxBEN Malta's Unemployment Benefit Net Replacement Rate Positioning Compared to EU MS - NMW

Figure 07.2: TaxBEN Malta's Unemployment Benefit Net Replacement Rate Positioning compared to EU MS - AW

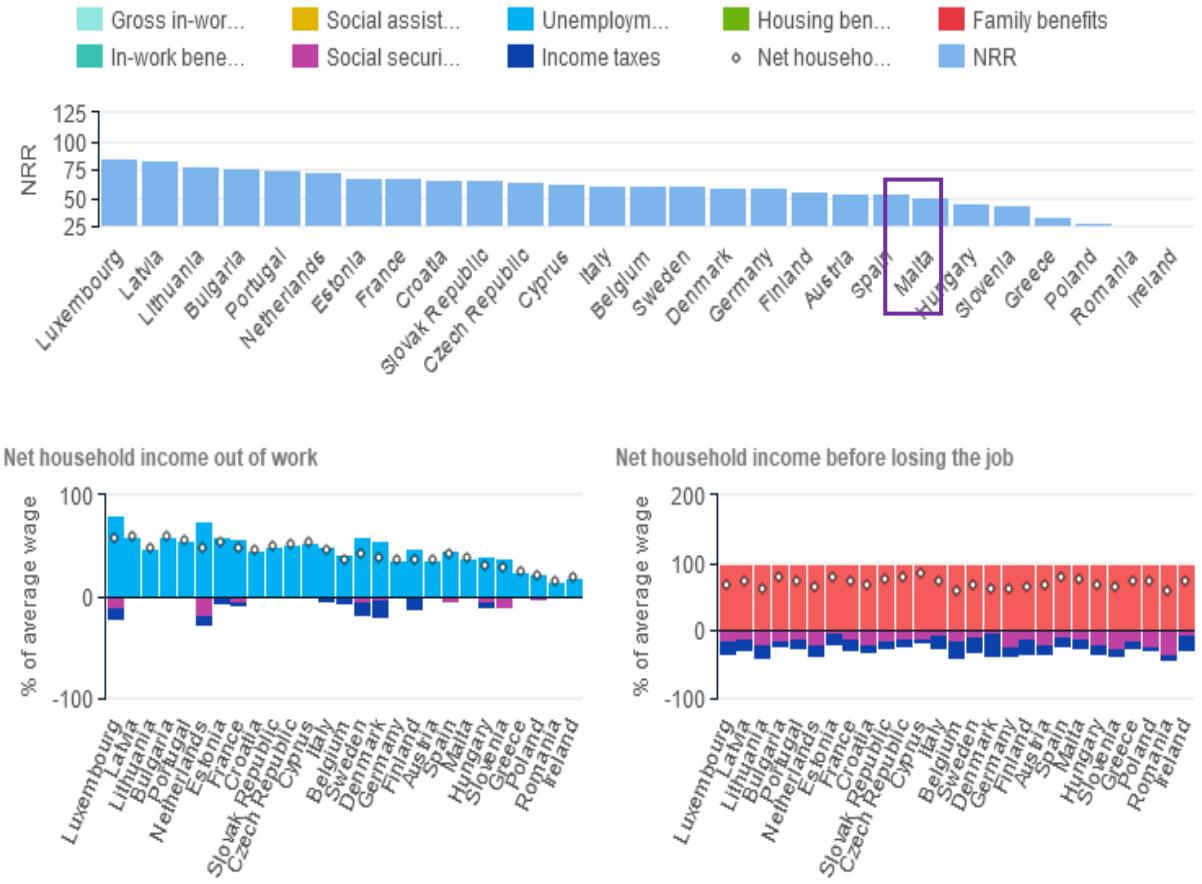


Figure 07:3 TaxBEN Malta's Unemployment Benefit Net Replacement Rate Positioning Compared to EU MS – 67% of AW

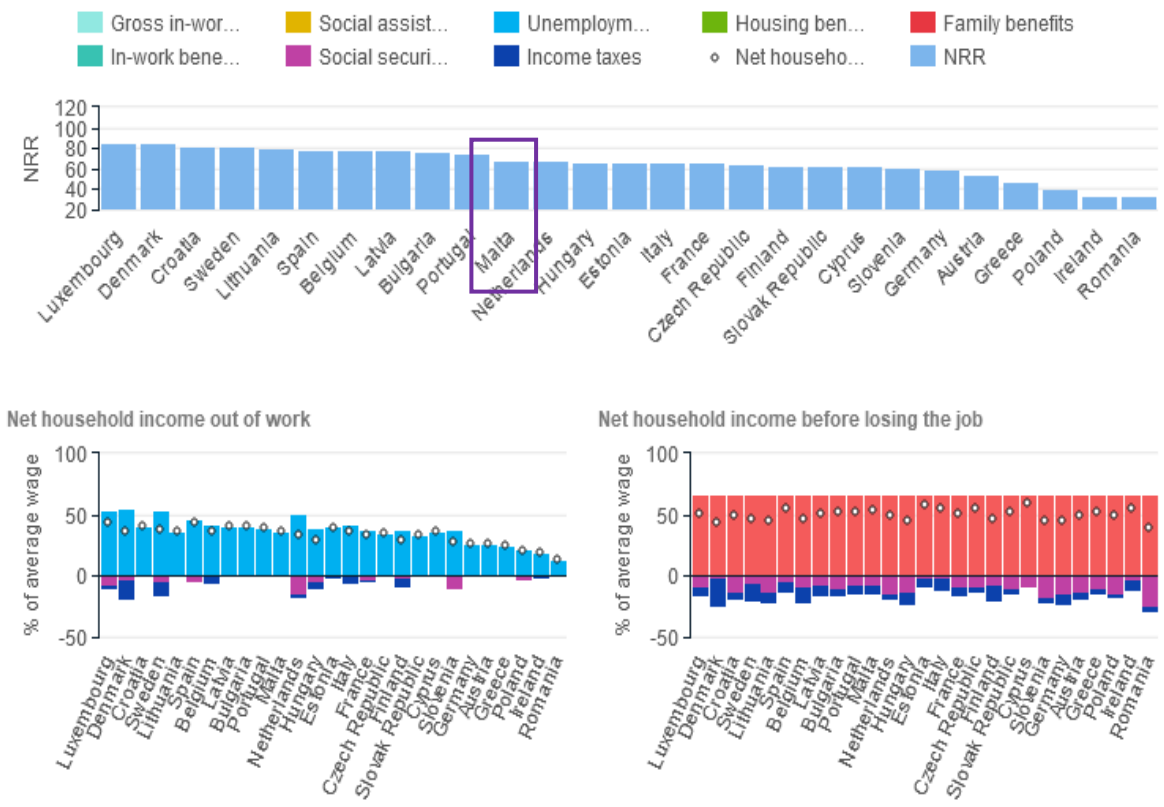


Figure 07.4: TaxBEN Malta's Unemployment Benefit Net Replacement Rate Positioning Compared to EU MS – 50% of AW

Figure 07.5: TaxBEN Malta's Unemployment Benefit Net Replacement Rate Positioning compared to EU MS – 60% of GMW

(b) Analysis of Tapered Phase Impacts on Unemployment Benefit Net Replacement Rates Over Six Months Using the 2024 TaxBEN Model

As Section 03.2.1(a) outlines, Malta's new earnings-based UB mechanism demonstrates significant strengths alongside areas that warrant further improvement. **Table 15** provides a detailed illustration of how the UB NRR performs across the IRRIs and EU MWD benchmarks over the six-month entitlement period. It highlights the phased tapering structure—60% for the first four weeks, 55% for the subsequent 10 weeks, and 50% for the final 10 weeks—and its impact on the UB NRR's across each tapering phase.

Table 14: Results of UB Net Replacement Rate Across Tapered Phases Over the Six-Month Entitlement Period Using the TaxBEN Model

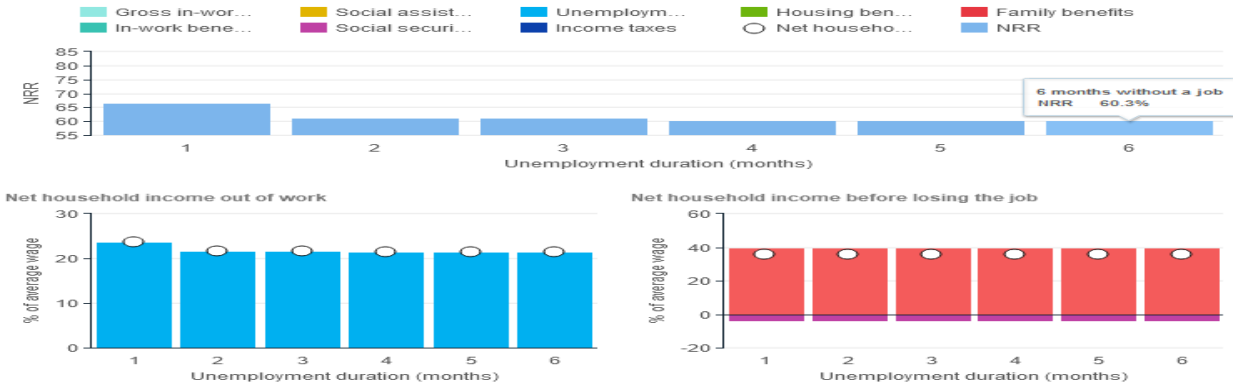
Earnings Indicator	Unemployment Benefit Net Replacement Rate over the entitlement period					
	Month 1	Month 2[68]	Month 3	Month 4	Month 5	Month 6
Internationally Recognised Reference Indicators						
NMW	66.7%	61.1%	61.1%	60.3%	60.3%	60.3%
AW	50.1%	50.1%	50.1%	50.1%	50.1%	50.1%
67% of AW	70.0%	68.8%	68.8%	62.5%	62.5%	62.5%

[68] The shaded columns in **Table 14** represent the results of the UB NRR indicators derived using the TBM based on the scenario where the household characteristics modelled by the IA were for a two-month period. For the UB NRR modelling presented in the previous section, as outlined in this document, the household characteristics used in the IA scenario have been maintained to ensure a like-for-like comparison between the results generated by the 2024 TBM and those produced by the 2021 TBM during the IA. This approach ensures consistency in methodology, allowing for a more accurate and reliable evaluation of changes in UB NRR adequacy over time.

EU Minimum Wage Directive Benchmarks						
60% of GMW	69.5%	63.7%	63.7%	57.9%	57.9%	57.9%
50% of AW	70.8%	64.9%	64.9%	59.0%	59.0%	59.0%

For illustrative purposes, **Figure 08** provides a TBM graphical representation of the UB NRR relative to the NMW, highlighting the impact of tapered phases over the six-month entitlement period. Graphical representations for the other indicators are available in **Appendix 03**.

Figure 08: Unemployment Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period Relative to the National Minimum Wage



To analyse the tapering effect of the UB, the UB NRRs over the six-month entitlement period are assessed against the IRRI and the EU MWD benchmarks. The analysis highlights how the tapering phases—60% for the initial four weeks, 55% for the next ten weeks, and 50% for the final ten weeks—affect the UB NRR relative to these benchmarks. The following is observed concerning:

01. General tapering behaviour:

- The results suggest a progressive decline in the NRR over the entitlement period across all benchmarks. This decline reflects the design of the new mechanism's three tapering phases, which gradually reduce income support to incentivise re-employment.
- The tapering effect is more pronounced in the EU MWD benchmarks, particularly "60% of GMW" and "50% of AW," where the reduction spans from ~70% in Month 1 to ~58%–59% by Month 6.
- The IRRIs exhibit varying stability, with the "AW" indicator remaining static at 50.1%, while "NMW" and "67% of AW" benchmarks show slight but consistent declines.

02. Concerning the IRRIs:

- NMW (66.7% - 60.3%)**:** The NRR begins well above the 60% GMW benchmark in the first month, tapering to 60.3% in the final months. This gradual reduction aligns closely with the adequacy threshold. Still, it highlights the potential challenge for individuals earning at or near the NMW to sustain their standard of living during prolonged unemployment.
- AW (50.1%): The NRR remains consistent throughout the six months. While this stability ensures predictability for average earners, the adequacy of the replacement rate could diminish over time without adjustments linked to wage inflation or cost-of-living trends.
- 67% of AW (70.0% - 62.5%): The NRR starts strong, exceeding the 60% GMW benchmark, but tapers to 62.5% by the end of the entitlement period. While this performance remains aligned with adequacy goals, the reduction over time may strain individuals earning near the median-income level if unemployment persists.

03. Concerning the EU MWD benchmarks:

- 60% of GMW (69.5% - 57.9%)**:** The NRR initially exceeds the benchmark but falls below the adequacy threshold in the final months. This decline suggests that the tapering mechanism, while effective in encouraging re-employment, may undermine income adequacy for the most vulnerable groups during extended unemployment periods.

- 50% of AW (70.8% - 59.0%)**:** The NRR consistently exceeds the benchmark throughout the entitlement period, even as it tapers. This demonstrates that the UB mechanism provides equitable support for average earners, although the declining trend signals a need to monitor longer-term adequacy.

In terms of the new UB earnings mechanism concept design and application, the following observations are reached:

- Adequacy**:** The mechanism appears well-calibrated to provide initial financial stability across income levels. The higher NRRs in the first two months meet the adequacy standards outlined by EU and international benchmarks, ensuring immediate income security during the critical adjustment period after job loss.

- Equity**:** The variation in tapering rates between benchmarks suggests a targeted approach, where lower-income earners (e.g., "NMW") retain higher relative support compared to higher-income earners (e.g., "67% of AW"). This aligns with the principles of equity and proportionality.

- Incentivising Re-employment**:** The gradual reduction in NRRs across all benchmarks creates a financial incentive for recipients to re-enter the labour market, particularly as replacement rates stabilise at lower levels from Month 3 onwards.
- EU Compliance**:** The alignment of NRRs with EU MWD thresholds (60% of GMW and 50% of AW) ensures compliance with evolving EU social protection standards. The consistent performance above these benchmarks reinforces the adequacy of the system.

(c) Granular Analysis of Earnings Scenarios Under the Unemployed Benefit Earnings-Based Mechanism Outside of the 2024 TaxBEN Model

A granular analysis of the performance of UB NRRs across various earning spectrums within the minimum and maximum range of the new UB mechanism offers valuable insights into its adequacy and equity. However, the methodological framework of the TBM does not allow for such detailed modelling. A central principle of the TBM is its reliance on the AW as the primary reference point for calculating NRRs, which establishes a fixed proportional relationship between the NMW and the AW. This relationship results in income thresholds pegged to the NMW being expressed as equivalent percentages of the AW. For example, 100% of the NMW translates to 38.72% of the AW, while 175% of the NMW equates to 67.76% of the AW.[69]

To overcome these limitations and better understand the dynamics of UB NRRs relative to various earnings levels and international benchmarks such as the IRRI and EU MWD, an alternative approach was employed using a spreadsheet model. This is presented and discussed in **03.2.3(a)**.

[69] The alignment observed between the NMW and AW in the TBM stems from the model's structural methodology. The AW serves as the universal reference point for calculating NRRs, standardising income thresholds across countries to facilitate consistency and comparability. The NMW is expressed as a fixed proportion of the AW, reflecting the relationship between statutory minimum wages and average earnings within national contexts. This proportionality ensures that any income scenario expressed as a percentage of the NMW can be recalculated as an equivalent percentage of the AW (e.g., 100% of the NMW aligns with 38.72% of the AW, while 175% of the NMW corresponds to 67.76% of the AW in Malta). TBM's calculations are inherently linear in relation to the AW. The NRR depends only on the ratio of income to AW, not on the absolute income value. Consequently, proportional thresholds between the NMW and AW remain constant. For instance, earnings percentages relative to the NMW (e.g., 120%, 150%) maintain equivalent percentages when recalculated relative to the AW (e.g., 46.5%, 58.2%). This linear relationship ensures that the NRR results for income scenarios expressed in terms of NMW thresholds directly mirror those expressed as percentages of the AW. The static NRR calculation further reinforces this alignment. TBM applies a fixed proportionality between NMW and AW across all income scenarios, such that adjustments to AW automatically reflect proportional adjustments to NMW-based thresholds.

03.2.2 Assessment of the Hybrid Special Unemployment Benefit Net Replacement Rate Adequacy Level Relative to Internationally Recognised Reference Indicators and the EU Minimum Workers Directive Benchmarks using the 2024 Tax-Benefit Model

The TBM does not include parameters for calculating the SUB. As outlined in **Section 03.2.3(a)**, the 2024 TBM is designed to reflect the rules of the new earnings-based mechanism for the UB and does not account for the distinct structure of the SUB. Consequently, the calculation of the SUB's (NRR relative to IRRIs and EU Minimum Wage Directive (MWD) benchmarks is performed outside the TBM framework. The results and analysis are presented in Section **03.2.3(b)**.

03.2.3 Assessment of the Non-contributory Unemployment Assistance Net Replacement Rate Adequacy Level relative to Internationally Recognised Reference Indicators and the EU Minimum Workers Directive Benchmarks using the 2024 Tax-Benefit Model

(a).1 Methodology and Modelling of the Unemployment Assistance Net Replacement Rates Relative to the Internationally Recognised Reference Indicators and the EU Minimum Wage Directive

The TBM and similar social protection analysis methodologies adopt distinct frameworks for evaluating contributory UB and UA. This distinction reflects their differing objectives and target populations. This document shows that UB provides proportional income replacement for unemployed persons who meet the contributory entitlement criteria. The UB mechanism is earnings-based, and entitlement is for a maximum of 6 months. The UA contributors face temporary unemployment, while UA acts as a safety net for long-term unemployed individuals with limited resources. Combining their analyses risks conflating their purposes and obscuring critical insights into adequacy and equity. By maintaining separate frameworks aligned with the IRRIs, the TBM ensures precise evaluations, enabling for identification of gaps in income replacement and poverty alleviation effectively.

The primary objective of UA is to alleviate poverty among the unemployed by providing financial support to those without sufficient means following the expiry of their UB entitlement period. This aligns with Malta's social welfare policies, emphasising social assistance as a last resort. As discussed, the UA is calculated on a flat rate, increased by another flat rate for dependents in the household, and annually adjusted by the full COLA. By offering UA, the government establishes a safety net that ensures that unemployed individuals can maintain a basic standard of living, thereby promoting social inclusion and reducing economic disparities. Eligibility for UA is determined through MT, as outlined earlier, ensuring that assistance is targeted toward those most in need. Additionally, the government has implemented ALMPs to complement UA, aiming to facilitate re-entry into the workforce.

While maintaining the household characteristics applied by the IA for assessing the UA NRR, the MR extended its modelling timeframe using the TBM to cover 18 months. This included six months of UB entitlement followed by 12 months of UA, compared to the IA's 12-month period, which covered six months of UB and six months of UA.[70]

This allowed the MR to conduct a more comprehensive comparative analysis of the two mechanisms. The change was made to portray the static nature of the UA NRR, which remains unchanged over the 12 months following the expiration of the six-month UB entitlement due to its flat-rate structure, against the tapered adequacy levels of the UB NRR over its entitlement period.

Appendix 04 provides a graphical representation for each of the IRRIs and EU MWD benchmarks of the phased tapering of the UB rates (60% - 55% - 50%) over the six-month entitlement period, alongside the static replacement rate of the UA. Additionally, the TBM graphically illustrates the impact of the duration parameter, as shown in **Figure 09**.

[70] In the TBM, accurately calculating the NRR for UA requires the prior activation of the UB parameter. This sequence reflects the model's design, which mirrors the typical progression from contributory unemployment benefits to means-tested assistance in many social security systems. Attempting to compute UA in isolation—without first enabling the UB parameter—results in a zero output. This outcome underscores the model's dependency on the sequential activation of these parameters to simulate the transition from UB to UA accurately. Therefore, to obtain valid UA NRR calculations within the TBM, it is essential to first activate the UB parameter, ensuring the model correctly reflects the intended policy framework.

Figure 09: Unemployment Assistance over 12 Month Period following Expiry of Unemployment Benefit Entitlement Expiry: 60% of Gross Median Wage Net Replacement Rates

(a).2 Analysis of the OECD TaxBEN Unemployment Assistance Net Replacement Rates relative to the Internationally Recognised Reference Indicators and the EU Minimum Wage Directive

The single output indicators generated through the TBM concerning UA NRR adequacy level relative to the IRRIs and the EU MWD indicators are presented in **Table 14.**

Table 15: Results of Unemployment Assistance Net Replacement Rate using the 2021 and 2024 Tax-BEN

Earnings Indicator	Unemployment Benefit Net Replacement Rate over the entitlement period – 2024 TBM	2021 TBM[71]
Internationally Recognised Reference Indicators		
NMW	75.7%	72.0%
AW	38.0%	32.0%
67% of AW	53.1%	45.0%
EU Minimum Wage Directive Benchmarks		
60% of GMW	73.0%	
50% of AW	67.2%	

[71] Pp 97-99, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

The following observations are made concerning the:

01. IRRIs:

- NMW (75.7%): The UA NRR significantly exceeds the adequacy threshold for individuals earning the NMW. At 75.7%, it provides robust income replacement for low-income earners, ensuring a strong safety net. This highlights the mechanism's effectiveness in maintaining basic living standards for those in the lower earnings spectrum.

- AW (38.0%): The UA NRR for average earners is substantially lower at 38.0%, reflecting a limited ability to provide proportional income replacement for this group. While UA focuses on meeting minimum income needs, its flat-rate structure does not accommodate average earners' earnings levels or living costs.

- 67% of AW (53.1%): For median-income earners (67% of AW), the NRR provides a moderate level of adequacy at 53.1%. It aligns closely with the 50% of AW benchmark under the EU MWD, indicating reasonable support for individuals earning closer to the median wage. However, the flat-rate structure limits its ability to offer equitable support as earnings increase.

02. EU MWD benchmarks:

- 60% of GMW (73.0%): The UA NRR exceeds the 60% GMW benchmark, demonstrating strong alignment with the EU MWD adequacy threshold. This performance reflects the mechanism's effectiveness in addressing the needs of low-income individuals and meeting EU objectives for poverty reduction.

50% of AW (67.2%): The NRR surpasses the 50% AW benchmark, highlighting the UA's adequacy for individuals at this income level. This result underscores the mechanism's ability to provide a minimum standard of living for those who transition to UA after unemployment.

In terms of policy impact, the following conclusions are reached:

- The UA performs well for individuals earning at the NMW, exceeding 60% of GMW and 50% of AW EU MWD benchmarks. This indicates that the flat-rate structure is well-suited to its primary target group of low-income earners, ensuring basic income security.

- The significant drop in NRR for individuals earning closer to the AW (38.0%) reveals an equity gap. While UA is designed to ensure minimum income adequacy, its flat-rate structure does not account for the higher living costs associated with individuals transitioning from average earnings to long-term unemployment assistance.

- The flat-rate UA provides consistent support aligned with COLA adjustments but lacks the flexibility to reflect proportional income replacement. This design limits responsiveness to diverse income levels and risks disproportionately impacting individuals accustomed to higher pre-unemployment earnings. The European Pillar of Social Rights emphasises the right to adequate minimum income benefits that ensure a life in dignity at all stages of life, alongside effective access to enabling goods and services.

- The government has implemented ALMPs to facilitate the transition from unemployment assistance to employment.

(a).3 Comparative Assessment of 2024 TaxBEN Model Net Replacement Rate for the Unemployment Assistance with EU Member States

Figures 10.1 to 10.5 compare the TBM's UB NRRs for each of the IRRIs and EU MWD benchmarks with those of other MS. Specifically, the UB NRR relative to:

- NMW, Malta ranks third.
- AW, Malta places in the lower mid-point
- 67% of the AW, Malta is positioned in the mid-range.
- 60% of the GMW, Malta ranks fourth.
- 50% of the AW, Malta places in the higher mid-point.

Figure 10.1: TaxBEN Malta's Unemployment Assistance Net Replacement Rate Positioning compared to EU Member States – National Minimum Wage

Figure 10.2: TaxBEN Malta's Unemployment Assistance Net Replacement Rate Positioning compared to EU Member States - Average Wage

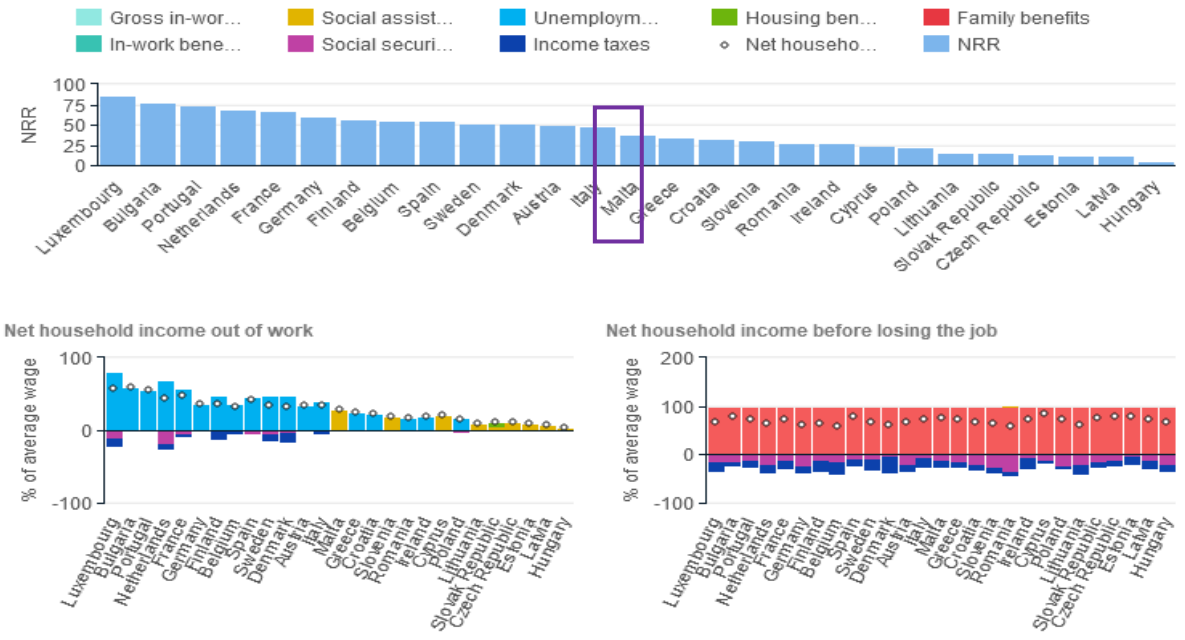


Figure 10.3: TaxBEN Malta's Unemployment Assistance Net Replacement Rate Positioning compared to EU Member States – 67 % of Average Wage

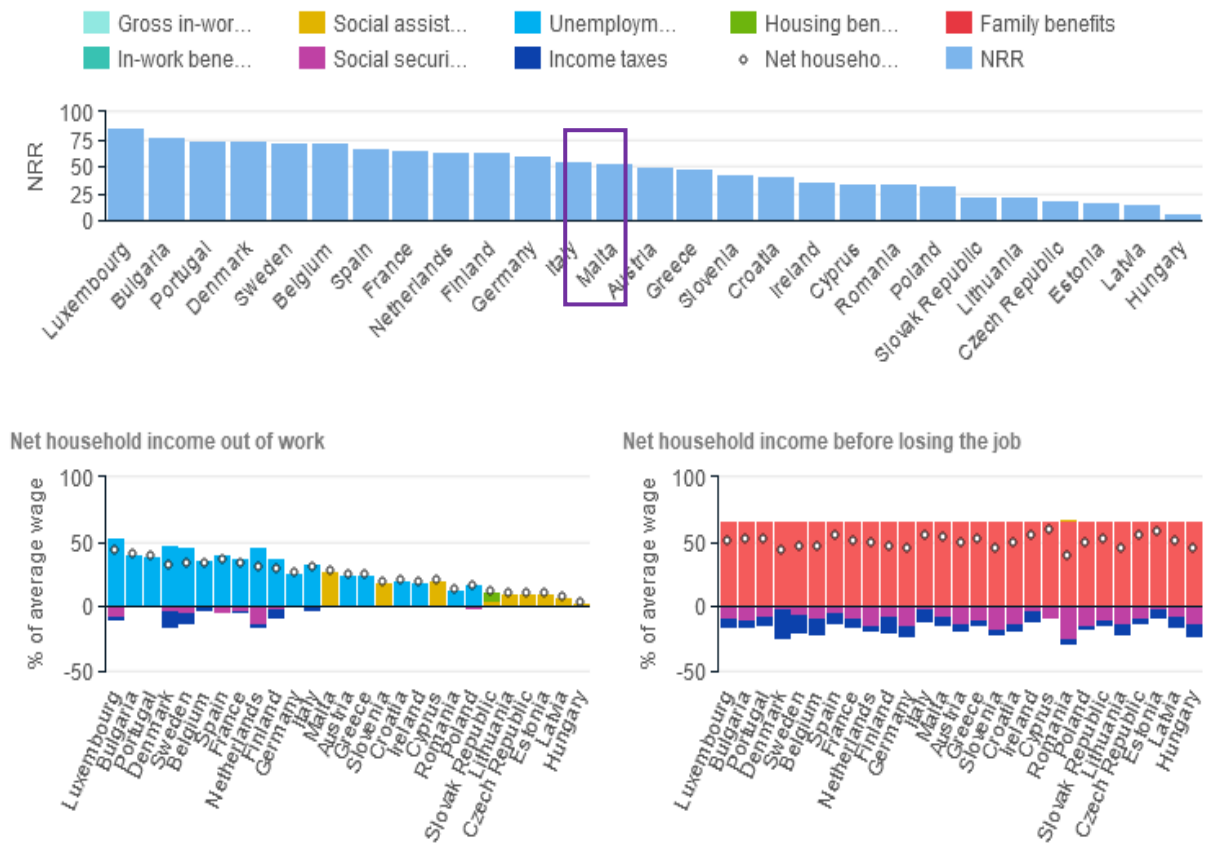
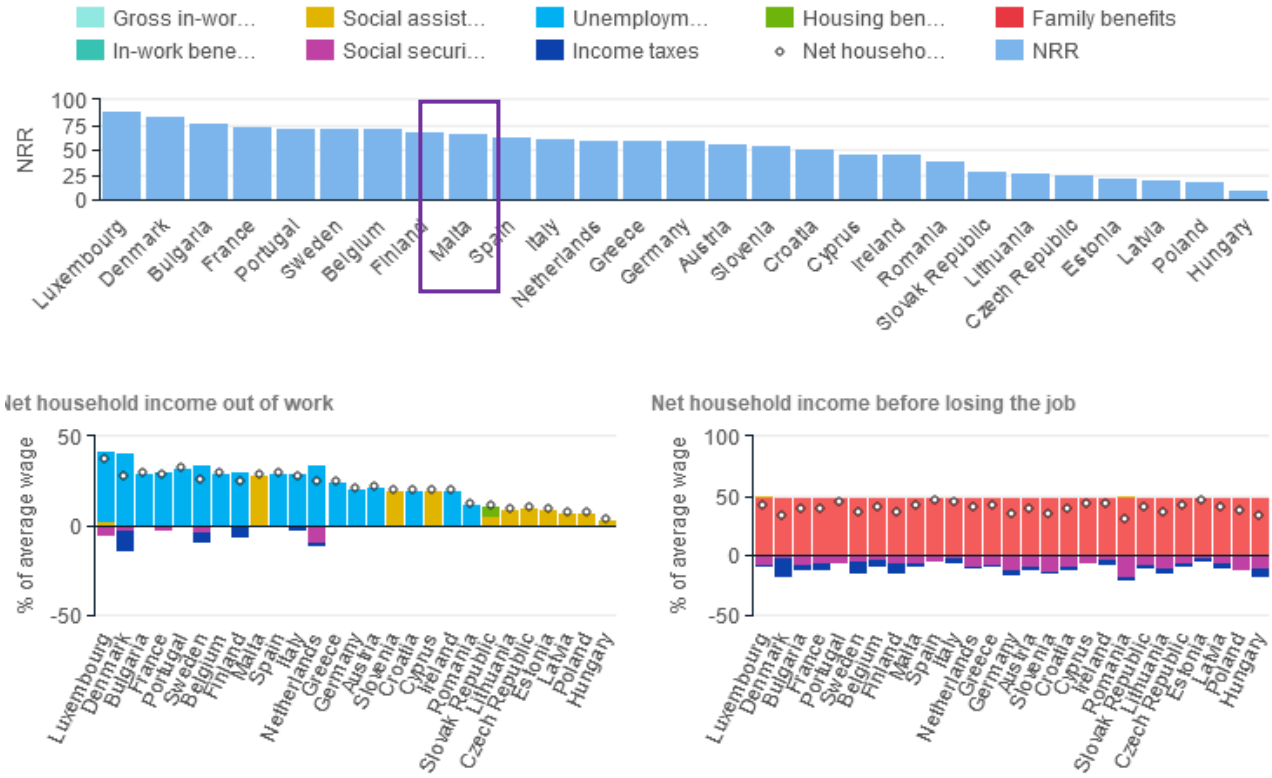


Figure 10.4: TaxBEN Malta's Unemployment Assistance Net Replacement Rate Positioning compared to EU Member States – 60% of GMW

Figure 10.5: TaxBEN Malta's Unemployment Assistance Net Replacement Rate Positioning compared to EU Member States – 50% of Average Wage



03.2.3 Analysis of the Unemployment Benefit, Special Unemployment Benefit and Unemployment Assistance Net Replacement Rates for Earnings Scenarios Relative to Indicators Outside of the OECD TaxBen Model

(a) Granular Analysis of the Unemployment Benefit Net Replacement Rates Relative to the Earnings Scenarios Using a Basic Spreadsheet (Excel) Model

The TBM calculates the UB amount based on gross earnings, as specified in the OECD policy rules for Malta. While the TBM calculates the gross UB amount, it assesses the NRR using net income figures. This approach ensures that the NRR reflects the proportion of an individual's pre-unemployment net income replaced by unemployment benefits. By incorporating deductions such as social security contributions and income tax, the model provides a realistic income support measure, aligning with international best practices for evaluating benefit adequacy.

For simplification in external modelling, the Excel analysis will calculate the UB net of social security contributions only, excluding other deductions, such as income tax[72], that are accounted for in the TBM. This simplification aligns with the focus on providing a clearer view of the UB NRR relative to recognised reference indicators, such as the AW and NMW, without replicating the full TBM.

As referenced in **Chapter 01**, the calculation of UB NRRs on a spreadsheet differs significantly from using the TBM due to the latter's ability to incorporate real-world variables and policy nuances. The TBM accounts for factors such as household composition, tax systems, and additional social assistance measures, all of which can significantly influence NRR outcomes.

[72] Individuals earning the NMW would incur minimal income tax—approximately **€45.60 annually**, calculated on the difference between the NMW and the tax-free threshold, taxed at the lowest rate of 15%. Similarly, for individuals earning 120% of the NMW (Scenario 2, **€13,335 annually**), the taxable portion of their income would be **€2,535**, resulting in an annual tax liability of **€380.25**. This observation underscores the limited effect of income tax on low-income earners within the UB framework, especially when evaluating the adequacy and equity of the earnings-based unemployment benefit system.

In contrast, spreadsheet calculations rely on simplified assumptions and fixed inputs, such as flat percentages of earnings, which fail to capture the complexities of income replacement systems fully. Consequently, spreadsheet models often produce less precise and lower NRR values, particularly for lower-income earners who may be eligible for additional support or tax relief in real-world scenarios.

Given these limitations, the results presented in the table should be interpreted as indicative trends rather than precise figures. The inherent simplifications in the spreadsheet methodology mean that the figures should be viewed with a degree of flexibility, serving as a general guide to patterns and trends rather than exact outcomes. This contextual understanding is crucial to avoid overinterpreting the data and to ensure it is applied appropriately in policy discussions. By recognising these limitations, the analysis can still provide meaningful insights into the overall design and equity of the new UB mechanism while highlighting areas for further exploration or refinement using more comprehensive modelling tools.

The spreadsheet model applies the following formula:

$$UB_{Scenario\ N} = (M*213.5*0.6)*6+(M*213.5*0.55)*10 + (M*213.5*0.5)*10$$

Where:

M: Is the Multiplier expressed as a % of income up to 175% of the NMW, expressed in 1.N.

The resulting value is then multiplied by a factor of 0.9**,** which accounts for the deduction of a 10% social security contribution from the gross UB amount:

$$UB = UB_{Scenario\ N} * 0.9$$

The TBM model annualises unemployment benefits to match the annual reference period of the IRRIs and the EU MWD benchmarks. This ensures the NRR reflects the benefit as a proportion of a full year's recognised reference and other indicators, allowing consistent cross-country comparisons.

$$UB_{Annualised} = UB * 2$$

Table 16 presents the UB NRR results based on this formula.

Table 16: Unemployment Benefit Net Replacement Rates for Spreadsheet Generated Scenario Earnings Relative to International Recognised Reference Indicators, EU Minimum Wage Directive and Other Indicators

Scenarios	UB Mechanism Min and Max range	Multiplier	Earnings	6 months earnings	Annualised	IRRI			Other	EU MWD Benchmarks		ILO Indicators		
						NMW	AW	67% of AW	GMW	60% of GMW	50% of AW	50% of NMW	45% of AW	45% of 67% of AW
						€11,104	€28,677	€19,118	€20,400	€12,240	€14,339	€5,552	€12,905	€8,603
1	100	1.0	€11,104	€2,709	€5,419	48.8	18.9	28.3	26.6	44.3	37.8	97.6	42.0	63.0
2	120	1.2	€13,335	€3,251	€6,502	58.6	22.7	34.0	31.9	53.1	45.3	117.1	50.4	75.6
3	150	1.5	€16,700	€4,064	€8,128	73.2	28.3	42.5	39.8	66.4	56.7	146.4	63.0	94.5
4	165	1.65	€18,300	€4,470	€8,941	80.5	31.2	46.8	43.8	73.0	62.4	161.0	69.3	103.9
5	175	1.75	€19,432	€4,741	€9,483	85.4	33.1	49.6	46.5	77.5	66.1	170.8	73.5	110.2
6	175	3.15	€35,000	€4,741	€9,483	85.4	33.1	49.6	46.5	77.5	66.1	170.8	73.5	110.2
				Median		73.2	28.3	42.5	39.8	66.4	56.7	146.4	63.0	94.5
				Average		69.3	26.8	40.2	37.7	62.9	53.7	138.6	59.6	89.4

The spreadsheet's model results suggest:

01. The Table shows adequacy gaps for low-income earners in Scenarios 1 and 2 and the diminishing adequacy for individuals above the AW due to the capped mechanism.

02. Individuals in Scenarios 1 and 2 have lower UB NRRs than those in Scenarios 3 and over, as evidenced by the consistent improvement in NRRs across higher-income scenarios.

03. Individuals in Scenario 6 whose earnings are significantly higher than the maximum cap of 175% of the NMW of the new UB earnings-based mechanism will have the same UB as those in Scenario 5, which represents the maximum cap. Persons whose earnings are above the maximum cap of the earnings-based mechanism will be negatively affected in terms of adequacy compared to that previously held before unemployment.

In terms of policy impact conclusions:

- Consistency with the TBM: The spreadsheet model supports the broader conclusions reached in the MR's analysis of the TBM, with discrepancies in the results in the spreadsheet from the TBM being due, as discussed earlier, to its simpler calculation methodology.

- Equity concerns**:** The earnings-based mechanism inherently favours higher-income earners within the capped range. This is evident in the consistent increase in NRR as earnings rise, with low-income earners receiving significantly less proportional support. For example, at 100% of NMW, NRR for NMW is only 48.8%, far below the median of 73.2%, while high earners achieve NRRs exceeding the average.

- Flat Results for Higher Earnings**:** The mechanism's cap at 175% of NMW results in identical NRRs for higher-income earners (e.g., Scenario 6 with 315% of NMW). This policy ensures fiscal sustainability but limits the ability to model how UB interacts with higher income thresholds.

- Adequacy challenges for low-income earners: Those earning at or near the NMW are more apparent in the spreadsheet model than in the TBM. Individuals in Scenarios 1 and 2 (closer to the NMW) show lower NRRs than those in Scenarios 3 and above. This discrepancy underscores the impact of lower earnings on income replacement adequacy within the UB system.

- Disparity in NRR Across Indicators: For IRRIs, the NMW benchmark achieves relatively higher NRRs compared to AW and 67% of AW. For instance, at 175% of NMW, NMW reaches 85.4%**,** while AW remains at 33.1% and 67% of AW at 49.6%. Concerning the EU, MWD benchmarks show consistent patterns, with NRRs increasing from 44.3% and 37.8% under Scenario 1 relative to 60% of GMW and 50% of AW to 77.5% and 66.1% in Scenario 5. The disparities, however, for the low-income scenarios highlight the need for targeted adjustments to ensure that those at the bottom of the income scale are adequately supported.

(b) Granular Analysis of the Special Unemployment Benefit outside of the TaxBEN Model Relative to the Household Size Using a Basic Spreadsheet (Excel) Model

In discussions with the DSS, it emerged that considerations were underway regarding the potential removal of the SUB. These discussions were based on the following preliminary considerations, which the DSS had yet to evaluate fully.

- Higher unemployment income under UB compared to the SUB: The SUB has become less relevant, as beneficiaries eligible for the SUB would receive higher unemployment income support if placed on the earnings-based UB mechanism.

- Simplify the Unemployment Benefits Framework: Consolidating the system into two benefits (UB and Unemployment Assistance [UA]) would reduce complexity, eliminating the need to manage distinct entitlement rules, eligibility thresholds, and benefit structures.

- Improve Transparency and Accessibility**:** A streamlined approach with fewer overlapping mechanisms would improve clarity for recipients, particularly during transitions between benefits, making the system easier to navigate.

- Limited Scale of the SUB**:** While the SUB supports a vulnerable cohort, its limited reach—evidenced by just 85 beneficiaries in 2023—raises questions about its viability and relevance as a standalone benefit.

This document assesses the validity of the SUB and its continuation as an unemployment benefit within the social security scheme, particularly in light of NRR adequacy for recipients of the SUB when compared to placement within the earnings-based UB mechanism.

As discussed earlier, the SUB operates as a hybrid benefit, requiring claimants to satisfy both a contributions test and a means test to qualify. This dual eligibility criterion reflects its targeted nature, ensuring support reaches those most in need. Thus, the SUB differs significantly from the newly introduced earnings-based UB in its fundamental approach to calculation and purpose. The earnings-based UB, as discussed, is designed to provide financial support proportional to a claimant's pre-unemployment income subject to the 175% NMW cap, offering a degree of continuity in financial stability. In contrast, the SUB shifts the focus away from an individual's prior earnings, instead considering the adequacy of the household's financial situation. This approach accounts for the number of dependents within the household, ensuring that the benefit aligns more closely with the broader context of household needs and vulnerability. By addressing factors such as household size and dependency, the SUB is designed to tackle issues related to poverty and financial adequacy rather than solely compensating for lost earnings. The calculation of the SUB involves a series of structured steps:

First, the SUB component is determined:

$$\mathrm{SUB_{FT}} = \mathrm{SUB_{WR}} * 6 \text{ days} * 26 \text{ weeks}$$

where

$\mathrm{SUB_{FT}}$ is the SUB calculated on the basis of the SUB weekly rate
$\mathrm{SUB_{WR}}$ is the SUB weekly rate under Schedule 3 of the SSA

Second, the unemployed head of household and number of qualifying household dependents is calculated:

$$\mathrm{SUB_{HHD}} = [(\mathrm{UA_{WR}}) * 6 * 26 \text{ weeks}) + (\mathrm{HHD_{EMWR}})]$$

Where:

$\mathrm{UA_{WR}}$ is the Unemployment Assistance weekly rate under Schedule 6 of the SSA
$\mathrm{HH_{EMWR}}$ is the weekly eligible household member flat rate under Schedule 6 of the SSA

Third, a determination is made regarding whether a top-up should be added to the SUB. This top-up is calculated as the positive difference between the $\mathrm{SUB_{HHD}}$ and the $\mathrm{SUB_{Flat\ Rate}}$, provided that the $\mathrm{SUB_{HHD}}$ exceeds the $\mathrm{SUB_{Flat\ Rate}}$. The calculation is expressed as:

$$\mathrm{SUB_{TP}} = \mathrm{SUB_{HHD}} - \mathrm{SUB_{FT}}$$

Fourth, the SUB is calculated as follows:

$$\mathrm{SUB} = \mathrm{SUB_{FT}} \text{ if the } \mathrm{SUB_{FT}} > \mathrm{SUB_{HHD}}$$

or

$$\mathrm{SUB} = \mathrm{SUB_{HHD}} + \mathrm{SUB_{TP}} \text{ if the if the } \mathrm{SUB_{HHD}} > \mathrm{SUB_{FT}}$$

In terms of the evaluation of the SUB NRR adequacy, the following are to be noted:

01. In contrast to the evaluation of the UB and UA, which was conducted based on a single household scenario, the assessment of the SUB considers multiple household scenarios. This approach recognises the importance of household size and composition in determining the adequacy of the SUB and its NRR. By factoring in various household configurations, the SUB evaluation provides a more nuanced understanding of how household size impacts the benefit's effectiveness. This contrasts with the earnings-based mechanism of the new UB, which primarily focuses on individual income replacement rather than addressing broader household needs. The inclusion of multiple scenarios ensures that the SUB is aligned with its objective of mitigating financial hardship for vulnerable households, taking into account the diversity of household structures and their corresponding economic pressures.

02. Unlike the UB, where the adequacy of the NRR is assessed based on a calculation that uses a multiplier of the basic gross minimum wage, subsequently adjusted to net income for evaluation under the TBM—as previously discussed, net of social security contributions—the SUB and the benefits factored into its calculation do not undergo similar adjustments to the benefit amount. This distinction arises from the fundamental difference in how the two benefits are determined. The UB is calculated based on the unemployed person's pre-unemployment income, aligning with its role as an earnings replacement mechanism. In contrast, the SUB is determined by reference to social security cash transfers in the form of benefits, reflecting its purpose of addressing household adequacy and poverty rather than replicating pre-employment earnings.

    The EU's approach to defining such benefits aligns with these principles, recognising that benefits like the SUB serve a social protection function distinct from income replacement. These benefits focus on providing financial support to mitigate vulnerability and ensure household needs are met rather than correlating directly with prior earnings. This differentiation underscores the SUB's role within the broader social security framework, addressing systemic poverty while complementing the earnings-based structure of the UB.

03. As with the evaluation of the UB NRR, the SUB is annualised.

Table 17 presents the calculations for the SUB based on the formula outlined earlier, applied across eight distinct household scenarios. These scenarios range from a single-person household to a household comprising eight members, including the head of household who is unemployed and seven qualifying eligible household members.
This range of scenarios provides a comprehensive view of how the SUB is adjusted to account for varying household sizes and compositions. By incorporating multiple configurations, the analysis highlights the extent to which the benefit responds to the differing financial needs and dependency levels within households.

Table 17: Special Unemployment Benefit Entitlement under Different Household Composition

						Top-Up	Total	Annualised
A	A Single Person	1		€3,148.08		€734.76	€3,882.84	**€7,765.68**
B	A Single Parent or a Married Person maintaining a Spouse who is not F/T employed	2		€3,658.20			€3,658.20	**€7,316.40**
C	A Single Parent or a Married Person maintaining a Spouse who is not F/T employed	3		€3,658.20			€3,658.20	**€7,316.40**
D	A Single Parent or a Married Person maintaining a Spouse who is not F/T employed	4		€3,658.20		€125.58	€3,783.78	**€7,567.56**
E	A Single Parent or a Married Person maintaining a Spouse who is not F/T employed	5		€3,658.20		€337.48	€3,995.68	**€7,991.36**
F	A Single Parent or a Married Person maintaining a	6		€3,658.20		€549.38	€4,207.58	**€8,415.16**
G	A Single Parent or a Married Person maintaining a Spouse who is not F/T employed	7		€3,658.20		€761.28	€4,419.48	**€8,838.96**
H	A Single Parent or a Married Person maintaining a Spouse who is not F/T employed	8		€3,658.20		€973.18	€4,631.38	**€9,262.76**

Table 18 highlights the key differences between the UB and the SUB, reflecting the distinct principles underpinning these two models. The UB is an earnings-based benefit aimed at providing income replacement proportional to an individual's pre-unemployment earnings. Its calculation applies a multiplier to prior income, resulting in progressively higher entitlements for those with greater earnings histories. For example, in Scenario 1, the net annualised amount is €5,418.63, increasing to €9,482.60 in Scenario 8 for individuals at the higher end of the earnings spectrum. In contrast, the SUB focuses on household adequacy and poverty alleviation. It is calculated based on household composition, with entitlements adjusted to reflect the number of dependents. For instance, a single-person household under Scenario A is entitled to €7,765.68 annually, while a household of eight members under Scenario H receives €9,262.76. This structure ensures that larger households with greater financial responsibilities receive proportionate support, prioritising basic living standards over income replacement.

While both benefits aim to mitigate the financial challenges of unemployment, their objectives and target groups differ significantly. The UB primarily addresses income replacement for individuals, aligning with an earnings-based approach that benefits those with prior employment and higher incomes. Conversely, the SUB is designed to support vulnerable households, ensuring their collective needs are met regardless of the income history of the head of the household. These distinct roles mean that direct comparisons between the two benefits are limited in value, as they are complementary rather than competing components of the social security framework. Together, they address the dual challenges of income loss and household poverty, ensuring a more comprehensive safety net for those in need.

Table 18: Comparative Analysis of Special Unemployment Benefit and Unemployment Benefit Scenarios

		Scenarios	UB Mechanism Min and Max range	Multiplier	Earnings	6 months earnings	Net Annualised
UB	Earnings	1	100	1	€11,104	€2,709	€5,418.63
UB	Earnings	2	120	1.2	€13,335	€3,251	€6,502.36
UB	Earnings	3	125	1.25	€13,880	€3,387	€6,773.29
UB	Earnings	4	130	1.3	€14,435	€3,522	€7,044.22
SUB	B-C					€3,658	€7,316.40
SUB	D					€3,784	€7,567.56
UB	Earnings	5	140	1.4	€15,546	€3,793	€7,586.08
SUB	A					€3,883	€7,765.68
SUB	E					€3,996	€7,991.36
UB	Earnings	6	150	1.5	€16,700	€4,064	€8,127.95
SUB	F					€4,208	€8,415.16
SUB	G					€4,419	€8,838.96
UB	Earnings	7	165	1.65	€18,300	€4,470	€8,940.74
SUB	H					€4,631	€9,262.76
UB	Earnings	8	175	1.75	€19,432	€4,741	€9,482.60

Table 19 presents the SUB adequacy NRR compared to the international adequacy standards applied in this MR. The NRR results highlight the SUB's effectiveness in addressing household financial needs. The data demonstrates that the NRR increases progressively with higher benefit amounts, reflecting the SUB's design to ensure greater adequacy for larger households with greater needs. This trend aligns with international benchmarks, confirming the SUB's role as a vital mechanism in alleviating household poverty. The NRR, when benchmarked against indicators such as NMW, shows robust performance. For a single-person household (Scenario A), the SUB provides an annualised NRR of 69.9% of the national minimum wage (NMW) and 27.1% of the average wage (AW). As household size increases, the NRR improves significantly, with an eight-member household (Scenario H) achieving 85.4% of the NMW and 33.1% of the AW. This increase demonstrates the SUB's responsiveness to household composition and its effectiveness in providing adequate financial support.

Table 19: Assessment of the Special Unemployment Benefit Net Replacement Rate Compared to International Adequacy Standards

Scenario	6 months earnings	Annualised	IRRI			Other	EU MWD Benchmarks		ILO Indicators		
			NMW	AW	67% of AW	GMW	60% of GMW	50% of AW	50% of NMW	45% of AW	45% of 67% of
			€11,104	€28,677	€19,118	€20,400	€12,240	€14,339	€5,552	€12,905	€8,603
A	€3,883	€7,766	69.9	27.1	40.6	38.1	63.4	54.2	139.9	60.2	90.3
B	€3,658	€7,316	65.9	25.5	38.3	35.9	59.8	51.0	131.8	56.7	85.0
C	€3,658	€7,316	65.9	25.5	38.3	35.9	59.8	51.0	131.8	56.7	85.0
D	€3,784	€7,568	68.2	26.4	39.6	37.1	61.8	52.8	136.3	58.6	88.0
E	€3,996	€7,991	72.0	27.9	41.8	39.2	65.3	55.7	143.9	61.9	92.9
F	€4,208	€8,415	75.8	29.3	44.0	41.3	68.8	58.7	151.6	65.2	97.8
G	€4,419	€8,839	79.6	30.8	46.2	43.3	72.2	61.6	159.2	68.5	102.7
H	€4,631	€9,263	85.4	33.1	49.6	46.5	77.5	66.1	170.8	73.5	110.2
	Median		71.0	27.5	41.2	38.6	64.4	54.9	141.9	61.1	91.6
	Average		72.8	28.2	42.3	39.6	66.1	56.4	145.7	62.7	94

The SUB also performs well against EU and ILO benchmarks. For example, in Scenario H, the NRR exceeds the EU benchmark of 60% of GMW, reaching 77.5%. It also surpasses the ILO's benchmark of 50% of the NMW and meets or exceeds adequacy levels for various percentages of the AW. These results underscore the SUB's ability to address household adequacy comprehensively, ensuring support for vulnerable households that might otherwise fall below these international adequacy standards.

In essence, therefore, the SUB and UB exhibit similar NRR trends - the higher the benefit, the higher the NRR adequacy. Be that as it may, their distinct objectives underline their complementary roles. The UB caters to individuals by replacing pre-unemployment income, whereas the SUB focuses on ensuring financial adequacy for households based on their size and needs. This distinction is critical in understanding the unique contribution of the SUB to the social security system.

It so follows, therefore, if the SUB were removed and its function consolidated into the UB mechanism, this would have substantial implications. The focus on household adequacy and poverty alleviation unique to the SUB would be lost, leaving households with multiple dependents or limited pre-unemployment earnings at greater risk of financial insecurity. Furthermore, integrating the household considerations of the SUB into the UB framework would necessitate significant administrative and structural changes, potentially increasing complexity and reducing the effectiveness of both benefits. This consolidation could also erode the broader social protection framework by prioritising income replacement at the expense of addressing systemic poverty and household vulnerability.

Policy-wise, such a consolidation would likely increase the financial risks faced by households with dependents and disproportionately impact those with limited prior earnings. This would undermine the SUB's critical role in ensuring household adequacy, conflicting with EU social security principles, which emphasise poverty alleviation and equitable access to benefits. Additionally, the administrative challenges of harmonising two distinct benefit systems could create inefficiencies and gaps in support, further exacerbating vulnerabilities among the most at-risk groups.

Nevertheless, an individual or household entitled to the may receive a higher benefit under the UB, particularly if their pre-unemployment income was at the higher end of the UB's capped mechanism. Analysis of the scenarios presented in **Table 18** confirms this conclusion. For instance, in Scenario 8, the net annualised UB entitlement is €9,482.60, based on pre-employment earnings of €19,432. In comparison, the annualised SUB entitlement for a household of eight members (Scenario H) is €9,262.76. In this case, the UB provides a higher benefit than the SUB, as it reflects the individual's higher pre-unemployment income.

This discrepancy highlights a critical issue in the current benefit framework. While the SUB addresses household adequacy, it does not account for situations where the UB's earnings-based calculation would provide greater support. This creates the risk of inequity, particularly for households with higher earners who may be disadvantaged if they are retained on the SUB despite being eligible for a more substantial UB entitlement.

To address the issue where a household or individual eligible for the SUB might receive a higher benefit under the UB due to high pre-employment income, the implementation of a dual-assessment mechanism is proposed. This system would ensure that beneficiaries are automatically evaluated for both the SUB and UB, with entitlement granted based on the scheme offering the highest level of financial support. Such a policy adjustment would uphold equity, mitigate financial disadvantage, and enhance the overall efficiency of the social security framework.

The proposed solution, referred to as "benefit pathwaying," involves a structured process where claimants are assessed against the eligibility criteria for both benefits. The calculation for each benefit would be performed in parallel, factoring in the distinct principles of each scheme. The UB would be evaluated based on the claimant's pre-unemployment earnings, while the SUB would be calculated based on household composition and poverty alleviation needs. Once the calculations are complete, the claimant would automatically be assigned to the benefit that provides the highest entitlement, ensuring that neither individuals nor households are disadvantaged by rigid eligibility boundaries.

For example, consider a household of five members, including an unemployed head of household. If the household is evaluated for the SUB, the annualised entitlement under Scenario G in the table above would be €8,838.96. However, if the head of household had a high pre-unemployment income, placing them in UB Scenario 8, the annualised UB entitlement would be €9,482.60. Under the current system, retaining the household on the SUB would result in a financial shortfall of €643.64 annually. By implementing benefit pathwaying, the household would automatically be placed on the UB, thereby maximising their financial support and ensuring fairness.

To implement this mechanism, a robust algorithm would be designed with the Social Security Benefits Administration System (SABS) to evaluate claimants against the criteria for both benefits. The algorithm would calculate the entitlements for the SUB and UB in parallel, comparing the results and automatically assigning the claimant to the scheme offering the higher entitlement.

(c) Assessment of the Contributory Unemployment Benefit Net Replacement Rate Adequacy Level Relative to Reference Point Indicators Using the 2024 Tax-Benefit Model

The MR has comprehensively discussed the UA's policy objective and its functioning. As briefly mentioned the ALMPs complement the UA to encourage and support the transition for workers to move out of unemployment and UA into employment.

One notable initiative is the Tapering of Benefits[73] (TOB) scheme, which allows UA recipients who secure employment to continue receiving a portion of their benefits for a specified period. This approach provides financial stability during the transition back to work. The scheme is available to those who have been on the UA for at least one year within the last three years and earn at least the NMW upon re-employment.

Additionally, Malta's ALMPs include training programs, job placement services, and incentives for employers to hire long-term unemployed individuals. These measures aim to enhance employability, address skill mismatches, and facilitate sustainable employment opportunities. The overarching goal is to integrate unemployed individuals into the labour market, reducing reliance on social assistance programmes like UA.

The UA is not intended to function as a standalone, static measure of income replacement but as part of an integrated policy framework to facilitate employment transitions and ensure a minimum standard of living. Concerning the UA, the TBM, by incorporating COLA adjustments and benchmarking the UA NRR against IRRIs and EU MWD standards, provides a sufficient basis for assessing its adequacy and equity. A granular analysis outside this framework would neither capture the transitional impacts of TOB and ALMPs nor offer meaningful insights into the policy's effectiveness.

[73] The Tapering of Benefits scheme allows individuals who were receiving UA or SA to retain a portion of their benefits upon securing employment. This retention decreases over a three-year period: 75% in the first year, 55% in the second, and 35% in the third. This gradual reduction aims to mitigate the immediate financial impact of losing benefits, thereby encouraging re-entry into the workforce

03.3 Unemployment Benefits Adequacy Review based on the Independent Assessment's Modified ISSA Adequacy Model

Table 20 compares the scores of the MR and the IA assigned using the IA's modified ISSA adequacy model. This table highlights differences in evaluations between the two entities, focusing on where the MR's assessment aligns with or diverges from the IA's original findings. The MR's score is 106 points higher than the IA, primarily for two reasons. Firstly, the NRR adequacy level for UB, calculated under the new earnings-based formula, meets the ILO's 45% NRR benchmark. This results in higher points than those awarded by the IA, which applied a lower score when the NRR, due to the UB's flat-rate design, fell short of the ILO benchmark. Secondly, the IA's assessment of the modified ISSA unemployment benefits adequacy model was incomplete. The IA did not address Many employment-related KPIs, which indicated only that data should be sourced from Jobplus. The full analysis of the MR's performance against the IA's assessment is in **Appendix 05**, detailing the scoring comparison. **Table 21** summarises the rationale for the KPI scores.

Table 20: Review of the Unemployment Benefits Adequacy Level Using the Modified International Social Security Association Methodology under the Independent Assessment and this Review

Key Performance Indicator	Total Score as per Modified ISSA Model	Assigned Scores by the 2022 Evaluation	Assigned Scores by the MR
Coverage level	100	78	**82**
Period of entitlement to unemployment benefits	100	58	**52**
Unemployment benefit levels	100	79	**92**
Eligibility conditions	100	56	**68**
Employment services and labour market activities	99	11	**30**
Unemployment rate	100	81	**82**
Administration	100	0	**65**
Total	**699**	**363**	**471**

Table 21: Rationale for Score Assigned as per the ISSA Modified Monitoring and Evaluation Tool

Performance Indicator	Key Performance Indicator	Rationale	Score
01 – Coverage Level	**(1.1) Legal coverage of employees**	UB is provided under a contributory scheme governed by the Social Security Act (SSA). Individuals aged 16 to 64 who are in employment are required to pay social security contributions (SSC), which makes them eligible for UB, provided they meet the minimum contribution requirements. EE and S/E, as well as P/T workers who lose their jobs involuntarily, can claim UB for 6 months (6 days per week). This scheme is well-aligned with the ILO framework, scoring highly for its inclusiveness. It covers public sector workers and S/E individuals and uses contribution history to determine benefit eligibility, promoting fairness and accessibility within the system.	**Full – 30 points**
	(1.2) Conditions for qualifying for unemployment benefits	The minimum qualifying period for the UB is 50 weeks of paid contributions, with at least 20 paid within the previous two calendar years. Periods during which an individual received sickness or UB, covered by contribution credits, are treated as paid contributions for benefit eligibility. The eligibility criteria are consistent across all age groups, and the same qualifying conditions apply even if the individual has previously received benefits. UB are provided for 26 weeks, based on a six-day week. If an individual does not meet the full contributory history requirement, they may receive UB proportional to the contributions paid. After the six-month UB period ends, an individual may become eligible for UA, provided they meet the means testing (MT) criteria.	**Full – 20 points**
	(1.3) Coverage of specific categories	All Maltese citizens, including full-time, part-time, and self-employed individuals, can receive UB or UA if eligible. The AMLP supports benefit recipients transitioning to employment, with benefits phased out over three years. Casual workers may not qualify due to contributory rules. EU/EEA nationals are covered under EU social security, while eligible third-country nationals can access UB or UA. Migrants with Subsidiary Protection receive income support through SPA. Five points are deducted for limited coverage that may be experienced by casual and platform workers.	**15 out of 20 points**
	(1.4) Effective coverage of the indicator	As of July 2024, the effective coverage rate stands at 48.2%. The detailed calculations can be found in the 'Effective Coverage Rate' tab of the Excel file titled '2024 Evaluation of Unemployment Adequacy.' This marks a 4.4% decrease compared to the coverage rate in 2021. According to the performance indicator, 2 points will be deducted from the baseline score of 19 in 2021, resulting in an adjusted score of 17.	**17 out of 30 points**

02 - Period of Entitlement	**(3.1) Unemployment insurance benefits allowance duration**	There have been no changes to the statutory conditions for contributory UB since the IA, with the maximum entitlement remaining at 26 weeks (6 months). Based on the scoring methodology, 1 point is deducted for coverage below 48 months, resulting in a score of 8. The contribution test for UB involves three stages, with the first two being prerequisites for the third. The first stage requires a minimum of 50 paid contributions, while the second stage requires at least 20 paid contributions during the two consecutive calendar years preceding the UB application. To be eligible for the full 156 days of UB (6 days per week for 26 weeks), an individual must have accumulated an equivalent number of paid contributions. If an individual has fewer than 156 paid contributions, their UB will be calculated proportionally using the formula (number of paid contributions/156). Therefore, individuals who do not fully meet the third contribution requirement will receive a partial UB. This satisfies the third scoring condition for this KPI, and as a result, the score of 8 is reduced by 25%. The final score under this KPI is 2.	**2 out of 50 points**
	(3.2) Unemployment assistance benefits allowance duration	There have been no changes to the statutory conditions regarding the duration of entitlement for contributory UB or MT UA since the 2022 evaluation.	**Full – 50 points**
03 – Decent standard of living, appropriate income replacement rate, and preventing beneficiaries from falling into poverty	**Benefits replacement ratio at the beginning of the unemployment period**	For a single individual earning 67% of the AW, the annualised UB provides an NRR of 72.67%, which is significantly higher than the ILO's adequacy benchmark of 45%, reflecting an improvement over the previous flat-rate UB model, where the NRR was much lower at 34.4%, falling short of the ILO standard. In the new UB earnings-based model, all scenarios from the NMW to 175% of NMW exceed the ILO benchmark, with the NMW scenario achieving an NRR of 51.67%. The EU MWD sets higher benchmarks, with adequacy indicators at 60% of the GMW and 50% of AW. At the 67% AW earnings level, the UB NRR surpasses both MWD indicators. However, for those closer to the NMW, the UB NRR falls below 60% of GMW and may also fall below 50% of AW in certain cases, signalling a need for potential adjustments to meet these standards more consistently across earnings levels.	**Full – 40 points**
	Benefits replacement ratio after 12 months of unemployment	For an unemployed individual earning 67% of the AW, the combined support from UB and UA provides an NRR of 69.52%, exceeding the ILO benchmark of 45%. All scenarios modelled, from NMW to 175% of NMW, surpass the ILO standard, with the lowest scenario (NMW) showing an NRR of 59.03%. However, compared to the EU MWD benchmarks, some earnings closer to NMW fall below the 60% GMW threshold but remain above the 50% AW indicator. Overall, UA NRR levels perform well against the ILO standard but show variance concerning the MWD benchmarks.	**Full – 40 points**
	Risk-of-poverty rate of the unemployed	At the end of 2023, the unemployment rate for Maltese aged 18 stood at 41.7%, 5.8 p.p. lower than the EU average of 47.5%. Additionally, the AROP rate for employed individuals in Malta at the end of 2023 was 87.7% of the EU average, representing a gap of 12.3%. This performance corresponds to an increase of 2 additional points, bringing the overall score to 12.	**12 out of 20 points**

04 - Eligibility Conditions	**(5.1) Voluntary unemployment**	Malta does not offer voluntary unemployment benefits or assistance, and this policy has remained unchanged since 2022.	**Full – 20 points**
	(5.2) Existence and severity of appropriate sanctions	During the registration process at Jobsplus, clients are informed of their obligation to remain available, capable, and actively seek work. If they refuse training job opportunities, fail to attend interviews, or do not engage in training, they must submit a Justification Form with supporting evidence by a specified deadline. The Jobsplus Justification Board will review the case and decide whether it's upheld. During the process, clients must continue participating in Jobsplus activities. The client is added to a strike-off list if the case is not upheld or the form is not submitted on time. Clients can appeal to the National Employment Authority**.** For a first missed interview or training, only a warning is given.	**Full - 20 points**
	(5.3) Active job search	Malta strictly approaches job-search requirements, conducting fortnightly checks on job-search activities. Unemployed individuals must regularly provide employer declarations confirming they have applied for jobs. Due to these strict measures, Malta receives the highest score for this indicator.	**Full - 20 points**
	(5.4) Effective use of sanctions	In 2022 and 2023, sanctions were applied to 387 (6.6%) and 394 (7.0%) individuals receiving UB, UA, and SUB benefits, respectively. As data for 2024 is unavailable, 2023 figures are used as the baseline. The KPI is 20%, with a 1-point deduction for each percentage point below this target. Based on this, a score of 7 points has been assigned.	**7 out of 20 points**
	(5.5) Possibility of appeal against sanctions	An individual may refer their appeal to the National Employment Authority. This KPI can be calculated in two ways. **Method 1**: This approach considers only upheld or not upheld cases, focusing on the percentage of appeals confirmed against the appellant based on these two datasets alone. Cases withdrawn, abandoned, or deferred indefinitely (*sine die*) are excluded. Under this method, the cases decided against the appellant were 35.5% in 2022, 23.4% in 2023, and 43.2% from January to July 2024. **Method 2**: This approach includes the entire set of appeals submitted, counting those withdrawn, abandoned, etc. As a result, the percentages are significantly lower: 8.5% in 2022, 5.5% in 2023, and 6.2% from January to July 2024. The KPI target is set at 90% of decisions against the appellant, with a deduction of 3 points for every 10% below this target. Given the high percentage threshold established by the KPI, Method 1 is used to calculate the KPI, resulting in a score of 1 point awarded.	**1 out of 20 points**
05 - Employment Services and Labour Market Programmes	**The ratio of the number of job offers received from Jobplus compared to the number of jobs**	Jobplus cannot provide this data.	**No data provided**

	The ratio of the number of job offers received by Jobplus compared to the number of unemployed	In the full calendar year of 2023, the ratio of job offers to job seekers was 147.9%. This ratio increased significantly to 537.5% when considering unique job seekers. A similar trend was observed from January to July 2024, with a job offer-to-job seeker ratio of 150.0%, rising to 464.9% for unique job seekers. These figures are well above the 40% benchmark, resulting in the full allocation of 11 points for this KPI.	**Full 11 points**
	Ratio of jobseekers who leave unemployment within 12 months	Except for 2024, the data presented under this KPI covers 2022 to 2023 and 2023 to 2024. During these two cycles, the number of unique individuals who gained employment was 2,009 and 2,091, respectively. From January to July 2024, the number of unique individuals who found employment stood at 1,307. According to NSO release 157/2040 (https://nso.gov.mt/registered-unemployment-july-2024/), the number of individuals registered as unemployed in July 2024 was 1,121, with 987 under Part 1 and 134 under Part 2. Interpreting this data for KPI purposes is complex; therefore, the KPI score has not been calculated.	**Not calculated**
	The ratio of job offers satisfied within 4 weeks	The proportion of vacancies filled within four weeks has remained consistently low at 1%, observed in 2021 and 2022 and continuing from January to July 2024. The KPI benchmark is 90%, with a 1-point deduction for every 5 p.p. below this target. Malta falls within the 1% to 5% range, resulting in a score of 5 points.	**5 out of 22 points**
	Ratio of jobseekers receiving assistance from Jobplus	This KPI is based on participant data in various Jobplus schemes and training programmes, including Bridging the Gap (BTG), Access to Employment (A2E), LSF Headstart, Sheltered Employment Training, Social Partner Agreements, and Work Exposure and Training. The percentage of unique individuals participating in these schemes decreased from 13% in 2021 and 2022 to 11% in 2023, with a further decline to 8% in January to July 2024. Conversely, the percentage of individuals participating in multiple schemes or training sessions (counted only once per year) was higher during the pandemic, at 16% in 2021 and 15% in 2022. This figure dropped to 13% in 2023 and 11% from January to July 2024. Updated data from Jobplus is expected by the third week of October. This indicator, introduced by the IA, currently lacks clarity regarding whether it measures unique individuals or counts participants across multiple schemes. For the MR evaluation, the benchmark is set based on unique individuals, resulting in a lower ratio of 11% compared to 13% if multiple schemes were counted. The baseline year is 2024, with a KPI target of 90%. A deduction of 1 point is applied for every 5 percentage points below this target, resulting in a final score of 0 points.	**0 out of 22 points**
	Ratio of jobseekers in training	In 2023, the ratio of unique job seekers was 8%, an increase of 1 percentage point from 2021. From January to July 2024, this ratio decreased to 5%. The MR baseline year is 2024, with a KPI benchmark set at 20%. For every 2 percentage points below this benchmark, a 1-point deduction is applied. Malta's ratio for 2024 falls within the 4 to 6 percentage point range, resulting in an allocation of 4 points.	**4 out of 11 points**

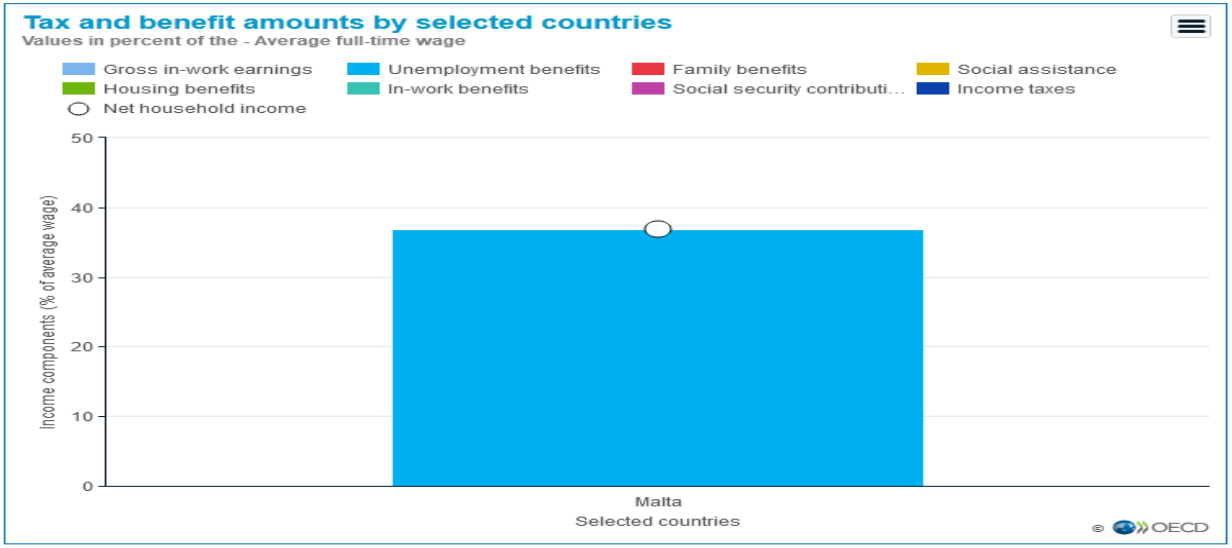
	Ratio of long-term jobseekers occupied in active labour market programmes	The number of long-term unemployed persons (those unemployed for over 367 days) remains low. 2022, this figure was 206, declining slightly to 199 in 2023. For the period from January to July 2024, it stood at 205**.** The percentage of unique individuals participating in schemes and training has also decreased. Attendance peaked at 67.5% in 2022, following the pandemic, dropped to 26.1% in 2023, and reached 18.5% for the specified 2024 period. For this KPI, the target is a maximum of 40%, with one point deducted for every 2 percentage points below this threshold. The current score assigned to this indicator is 10 points	**10 out of 22 points.**
06 - Unemployment	**Total unemployment rate**	In 2023, Malta's Total Unemployment Rate (TUR) was 3.5%, marking a slight decrease of 0.3 p.p. compared to the 2021 rate of 3.8% and remaining unchanged from 2022. By contrast, the EU average TUR for 2023 stood at 6.1%, a 0.1 p.p. drop from 2022 (6.2%) and 1.0 p.p. lower than in 2021 (7.1%). Malta's 2023 TUR is 56.25% lower than the ISSA benchmark rate of 8%. According to the scoring methodology, 2 additional points are awarded for every 5% reduction below this benchmark. A difference of 11.25% results in 22.5 points added to the base score of 20 from the scoring matrix. This leads to the maximum score of 40 points being achieved.	**Full – 40 points**
	(7.2) Youth unemployment rate (aged 15 to 24) Not in Employment, Education or Training (NEET)	In 2023, the unemployment rate for young people in Malta classified as NEET aged 15 to 24 was 8.2%. This is 1.0 p.p. lower than the EU average of 9.2% at the end of 2023, meaning Malta's NEET unemployment rate is 89.1% of the EU average, reflecting a gap of 10.9%. According to the scoring mechanism, 2 additional points are awarded (1 point for each full multiple of the gap relative to the baseline), increasing the final score to 12%.	**12 out of 20 points**
	Long-term unemployment rate	The baseline score for the Long-Term Unemployment Rate (LTUR) is 10 points, set at a rate of 4.0%, with 1 additional point awarded for every 10% decrease below this rate. As of the end of 2023, Malta's LTUR stands at 0.8%, which is 3.2 p.p. lower than the baseline or 20% of the ILO harmonised LTUR rates. This represents an 80% reduction from the baseline, and according to the scoring methodology, 1 point is added for every 10% reduction. Therefore, with an 80% difference, 8 additional points are awarded, bringing the total score to 18 points.	**18 out of 20 points**
	Employment rate	In Q2 2024, the EU average employment rate (ER) stood at 70.9%, while Malta's employment rate for the same period was 78.4%, reflecting a 7.5 p.p. difference. This means Malta's employment rate is 10.6% higher than the EU average. Based on the scoring methodology, the baseline score is set at 10 points, with an additional 1 point awarded for every 5% increase above the EU average. With a 10.6% increase, Malta qualifies for 2 additional points. As a result, Malta's total score for this KPI is 12 points.	**12 out of 20 points**
07 - Administration	**Processing time of the first claim for unemployment benefits**	A claim for UB begins when the claimant registers for work at Jobsplus. Every week, a list of new claimants is uploaded to SABS, where eligibility is verified. If eligible, payments are processed by the following week, ensuring prompt support. This system facilitates efficient benefit processing through regular updates between Jobsplus and SABS.	**65 points out of 100**

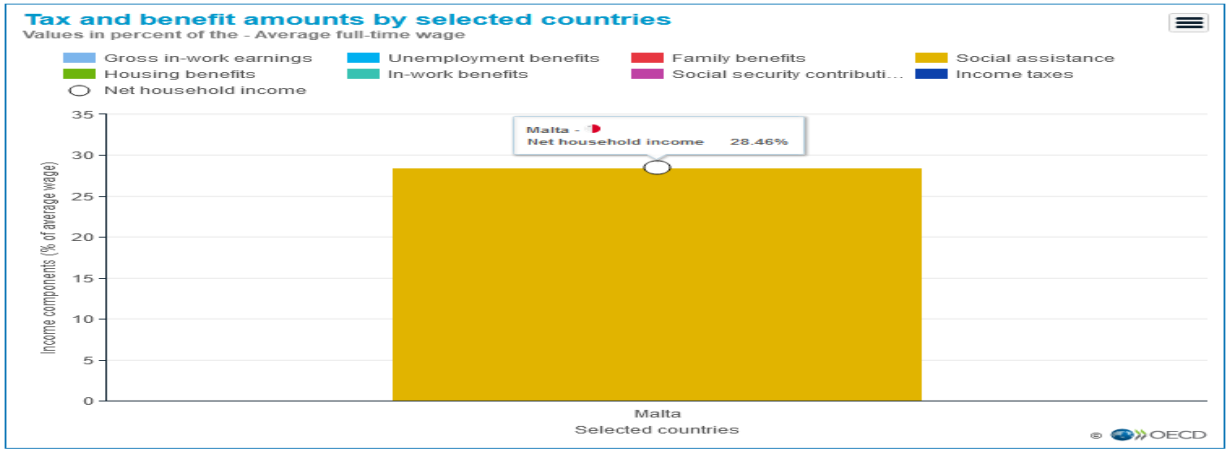
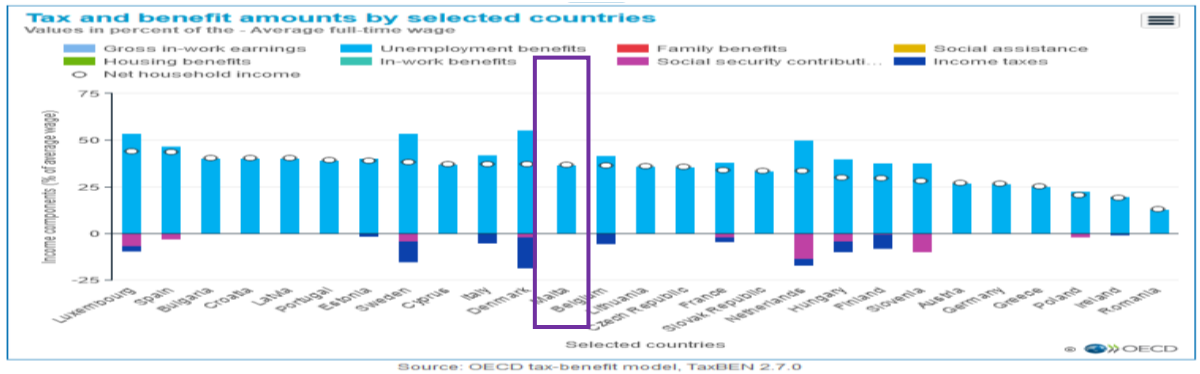
	Regularity of payments	UB payments continue weekly as long as claimants are registered as actively seeking work. Payments stop when the benefit period is exhausted, or the claimant stops registering. This system ensures that only eligible, active job seekers receive benefits.	
	Administrative formalities	The UB process is fully automated, ensuring timely, accurate benefit processing through weekly updates every Wednesday. Jobsplus offers an e-workplace where claimants can manage their job search online, including UB registration, job history, CV assistance, and job matching, all designed to enhance employability and access to relevant opportunities.	
	Fight against fraud	The MSPC's ISCD includes a Fraud Unit and a Centralised Means Testing (CMT) Unit. The Fraud Unit handles desk and field investigations, targeting fraud based on risk and public reports. The CMT focuses on desk-based fraud detection, using data from other government entities to verify means-tested benefits. Together, they help identify fraud early in the application process, earning a score of 10 points.	
	Satisfaction rate of clients	From 2015 to 2020, the DSS and Information Support and Compliance Department (ICSD) operated 52 local offices, closed during a consolidation process to establish e-Government One-Stop Shops. This shift from face-to-face service to centralised digital access aimed to enhance efficiency. However, it reduced direct engagement with users, limiting real-time insights into user needs, as no surveys were conducted.	

The IA proposed that the following supplementary indicators, as previously discussed, should be monitored but excluded from score assessment under the modified ISSA adequacy model. **Table 22** provides an analysis of these supplementary indicators.

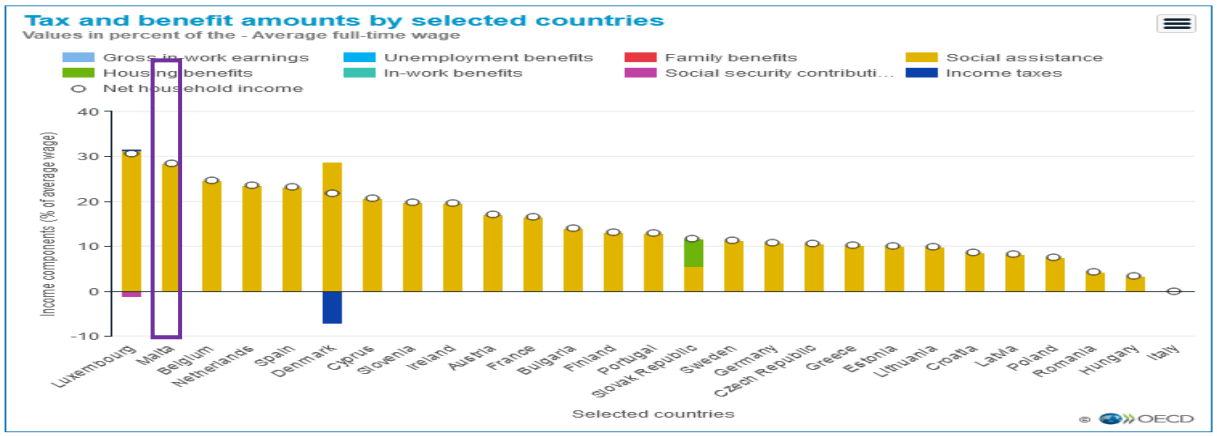
Table 22: Evaluation of Non-Scoring Supplementary Indicators Introduced by the Independent Assessors in the Modified ISSA Monitoring and Evaluation Tool

Take-up of work activation measures	The IA establishes the following sub-indicators to be monitored. Data for all elements, except for children enrolled in free childcare, is sourced from the DSS. Jobplus provide the data regarding children enrolled in free childcare.	
	Number of tapering beneficiaries	Tapering beneficiaries decreased from 892 in 2022 to 811 in 2023. From January to July 2024, the number of beneficiaries declined to 718.
	Number of in-work beneficiaries	In-work beneficiaries increased slightly from 24,632 in 2022 to 25,108 in 2023. However, between January and July 2024, this number declined to 23,474.
	Number of children enrolled in free childcare	The number of children enrolled in free childcare rose from 8,437 in 2022 to 8,960 in 2023. Between January and July 2024, the number of beneficiaries stood at 7,792.

	Number of social assistance beneficiaries	Social beneficiaries decreased from 5,854 in 2022 to 5,593 in 2023. Between January and July 2024, this number further declined to 5,443.
	Number of people that have been moved from social assistance to tapering benefits in a calendar year	The number of people who transitioned from SA to TOB was 684 in 2022 and 595 in 2023, respectively.
Effective participation tax rate for claimants of unemployment benefits taking up full-time employment.	The IA specifies that this indicator should be based on the tax module of the OECD TBM model.	
	Analysis of years 2018 to 2023 **Calculations were performed on 29th October 2024 using the OECD TBM V2.7.0. The scenarios were generated under the "Net Incomes, Tax Liabilities, and Benefit Entitlements" module of the TBM model.**	Based on a single person with an hourly wage equal to 67% of the average wage. The result is shown in the Figure below. **18.1 Effective Participation Tax Rate for Claimants of Unemployment Benefit - TaxBEN**  Source: OECD tax-benefit model, TaxBEN 2.7.0

			18.2 Effective Participation Tax Rate for Claimants of Unemployment Assistance - TaxBEN  Source: OECD tax-benefit model, TaxBEN 2.7.0
	Comparative assessment for 2022 and 2023 with EU MS. **Calculations were performed on 29th October 2024 using the OECD TBM V2.7.0. The scenarios were generated under the "Net Incomes, Tax Liabilities, and Benefit Entitlements" module of the TBM model.**		The model does not allow for comparative assessment. Comparative assessment with EU MS relates to 2024. **19.1 Effective Participation Tax Rate for Claimants of Unemployment Benefit: Comparative Assessment with Member States - TaxBEN**  ` Source: OECD tax-benefit model, TaxBEN 2.7.0

19.2 Effective Participation Tax Rate for Claimants of Unemployment Assistance: Comparative Assessment with Member States - TaxBEN



Source: OECD tax-benefit model, TaxBEN 2.7.0

The effective participation tax rate on entering employment for parents using childcare services.	The IA specifies that this indicator should be based on the tax module of the OECD TBM model.	
	Analysis of years 2018 to 2023	Model for Malta does not trigger 'benefits and costs related to the use of centre-based childcare' given that this is free of cost rather than in the form of fee rebates, allowances or tax concessions.
	Comparative assessment for 2022 and 2023 with EU MS.	As above.
Non-take-up rate of unemployment benefits	The IA underlines that this assessment should be based on the indicator below. The sources applied for this indicator are NSO releases concerning unemployment and the Labour Force Survey (LFS)	
	Number of unemployed registered with Jobsplus' divided by 'Number of unemployed reported by LFS'	As of the end of July 2024, the number of unemployed persons registered with Jobplus (Parts 1 and 2) was 1,121. According to the NSO Labour Force Survey for Q2 2024, the total number of unemployed individuals aged 15 and over was 10,509. However, this figure is underrepresented between ages 20 and 49 due to a sample size of 20 to 49 observations (https://nso.gov.mt/labour-force-survey-q2-2024/). Of this total, 2,549 are in the 15-24 age group. The non-take-up rate of unemployment benefits, calculated for the 25-74 age cohort (7,960 individuals), stands at 85.9%.

<table>
<tr><td>Real Gross Domestic Product (GDP) Growth rate</td><td>The data source is the Eurostat National Accounts.

<table><tr><td>Analysis of years 2018 to 2023</td><td>In 2023, Malta's real GDP growth stood at 7.5%. Since 2012, Malta has experienced strong real GDP growth, recording 4.1% in 2012, 6.3% in 2013, 7.6% in 2014, and 9.6% in 2015, peaking at 13.0% in 2017. During the pandemic in 2020, Malta’s economy contracted, with real GDP falling to -3.5%, but rebounded to 13.5% in 2021 (online data code: tect 00115, https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en).</td></tr><tr><td>Comparative assessment for 2022 and 2023 with EU MS.</td><td>Malta’s real GDP performance has been significantly stronger than the EU-27 average. The EU economy contracted by -5.6% in 2020, recovering to a growth of 6.3% in 2021. For 2022 and 2023, the average real GDP growth among EU-27 countries was 3.5% and 0.4%, respectively (online data code: tect 00115, https://ec.europa.eu/eurostat/databrowser/view/tec00115/default/table?lang=en).</td></tr></table></td></tr>
<tr><td>Number of registered unemployed by type (Part 1 vs Part 2), gender, age and duration</td><td>The data source is the NSO Unemployment Release for July 2024 (https://nso.gov.mt/registered-unemployment-july-2024/).

<table><tr><td>Registered unemployment</td><td>The number of registered unemployed individuals as of July 2024 stands at 1,121, with 987 under Part 1 and 134 under Part 2. This figure is higher than the registered unemployment totals for the full calendar years of 2022 (1,167) and 2023 (955). In the pre-pandemic years (2015–2019), unemployment averaged 2,122 annually; during the pandemic years, it rose to an average of 2,765 in 2020 and 2021. Since 2016, Malta has approached a full employment economy, significantly recovering from the 2008 financial crisis. Between 2011 and 2015, average annual unemployment stood at 6,340, peaking in 2013 at 7,401.</td></tr><tr><td>Gender</td><td>Since 2011, the number of registered unemployed males has consistently been higher than that of females, with the male-to-female ratio varying according to the overall unemployment rate. Following the 2008 financial crisis, the average ratio was 78.2% male to 21.8% female. As the economy improves, this disparity tends to decrease. In 2024, the ratio is 69.1% male to 30.9% female. For the full calendar year 2023, the male-to-female unemployment ratio was 67.2% to 32.8%.</td></tr><tr><td>Age</td><td>The largest age cohort among unemployed individuals, regardless of economic conditions, is 45 and over. In 2013, when unemployment peaked at 7,401, and in 2023 and July 2024, individuals aged 45+ represented a significant share of the unemployed population: 41.9%, 42.1%, and 41.9%, respectively.</td></tr><tr><td>Long term unemployed</td><td>From 2011 to July 2024, the largest cohort of unemployed individuals has been those aged 45 and over. Although the 45+ age group represents the largest share of unemployed individuals in nominal terms, their percentage share decreases during economic downturns due to higher unemployment across all age groups. At the post-2008 peak in 2013, when unemployment reached 7,491, individuals aged 45+ made up 21.9% of the unemployed population. In the most recent comparable year, 2019, this age group accounted for 28.1% of the unemployed population.</td></tr></table></td></tr>
</table>

Introduction

01. All of the modelling in the MR is carried out on the TBM V2.7.0. A granular analysis outside of the TBM on a simple Excel spreadsheet was carried out to assess the following:

    (i) UB NRR performance of single persons earning 100% (minimum threshold), 120%, 150%, 165% and 175% (maximum cap) given that the TBM is not designed for such analysis

    (ii) SUB NRR performance for a single household to households with a head of household and seven qualifying dependent members.

02. The IA applied a 65% EU median benchmark, though not mandated by the EC. The MR compares this with results from the previous UB flat-rate mechanism and incorporates the EC's JEP 2024 67% of AW indicator to evaluate UB and UA NRR adequacy.[74]

03. The recently introduced EU MWD thresholds—60% of the GMW and 50% of the AW—represent a significant shift in EU policy, aligning with the principles of the European Pillar of Social Rights on poverty alleviation, equity, and social inclusion. Thus, in addition to the IRRIs—the NMW, AW, and 67% of AW—the MR applies the EU MWD thresholds to ensure comprehensive analysis. Furthermore, the MR also assesses the NRR against the ILO adequacy benchmarks. By integrating these indicators alongside IRRIs and EU MWD benchmarks, the MR establishes a robust framework for assessing the adequacy and equity of the UB, SUB and UA support mechanisms. This approach ensures alignment with evolving EU standards while reinforcing the commitment to effective poverty alleviation and social inclusion measures.

04. The table below compares the TBM results from the IA conducted in 2022 with those derived from this MR, focusing on the IRRIs. (the EU MWD benchmarks were not introduced when the IA was conducted) and the following is to be noted concerning:

    - UB, where the mechanism changed from a flat rate in 2022 to one that earnings-based mechanism, capped at a maximum of 175% of the NMW, and tapered across three stages over the 6-month benefit entitlement period. The TBM provides only a single NRR output, as discussed extensively in the report. This limitation of the TBM must be taken into account when interpreting and comparing the UB NRRs presented in the table below.

    - SUB, the TBM has no predefined formula for calculating the SUB. The 2024 MR calculates the SUB outside of the TBM using a spreadsheet modelling approach. This approach proportionally aligns the benefit relative to the IRRIs and EU MWD benchmarks.

    - UA, the mechanism remains structurally unchanged, though an important change, introduced in 2023, was that the UA increases by the full annual COLA increment as against the previous 2/3rd.

Table 23: Comparison of TaxBEN Model Net Replacement Results: 2022 Independent Assessment (flat-rate Unemployment Benefit) vs 2024 MR (earnings-based Unemployment Benefit) relative to International Reference Indicators and the EU Minimum Wage Directive

[74] Pp 97-99, National study on the adequacy of Unemployment Benefits in Malta, Final Report, Seed Consultancy Ltd, 2022, November 2022.

	IA Benchmarks		OECD TaxBEN NRR Results					
			IA NRR TBM			2024 Evaluation		
IRRI	EU Median	ILO	UB	SUB	UA*	UB	SUB**	UA
				%				
NMW	65.0	50.0	55.7	66.2	72.0	61.1	59.3	75.7
AW	59.0	45.0	24.7	29.3	32.0	50.1	23.0	38.0
67% of AW	65.0	45.0	34.4	40.9	45.0	64.9	34.3	53.1
60% of GMW						69.5	53.8	73.0
50% of AW						70.8	45.9	67.2

Evaluation of the Unemployment Benefit Net Replacement Rates under the 2024 Earnings-based Mechanism

Unemployment Benefit Net Replacement Rates under the Earnings-based Mechanism compared to the Independent Assessment's Benchmarks' Evaluations

05. The 2024 TBM UB NRR results show notable improvements in adequacy across all IRRIs compared to 2021:

    - NMW NRR (61.1%)**:** Exceeds the ILO benchmark (45% and 50% of AW) and approaches the EU median (65%), reflecting enhanced support for low-income earners.

    - AW NRR (50.1%)**:** A significant increase from 24.7% in 2021, surpassing the ILO benchmark (45%) but still below the EU median (59%), indicating progress yet highlighting adequacy gaps for average earners.

    - 67% of AW NRR (64.9%)**:** A sharp rise from 34.4% in 2021, aligning closely with the EU median (65%) and exceeding the ILO benchmark (45%), demonstrating robust support for median-income earners.

06. The MR concludes that the new earnings-based mechanism provides a strong safety net, exceeding ILO benchmarks across all pre-unemployment scenarios while aligning more closely with EU standards. However, adequacy gaps remain for average earners compared to EU norms.

Unemployment Benefit Net Replacement Rates under the Earnings-based Mechanism compared to the EU Median Wage Directive

07. The TBM UB NRR assessment confirms that the UB NRRs surpass EU MWD benchmarks, achieving 63.7% (against a 60% benchmark) for low-income earners and 68.8% (against a 50% benchmark) for average earners. This reflects robust income replacement for vulnerable groups and average workers, aligning with EU poverty reduction and fairness goals. The shift to an earnings-based mechanism as of 2024 has enhanced equity and adequacy, addressing prior gaps for those near the NMW or median income.

Analysis of Tapered Phase Impacts on Unemployment Benefit Net Replacement Rates Over Six Months Using the 2024 TaxBEN Model

08. During the six-month UB entitlement period, NRRs initially exceed EU MWD adequacy thresholds but decline as the replacement rate tapers.

    - General Trends: NRRs are highest in the first month (60%) but steadily decline to 55% (Weeks 5–14) and 50% (Weeks 15–26).

    - IRRIs:
        - NMW (66.7%–60.3%): NRRs start well above the 60% GMW benchmark but taper to adequacy levels, challenging low earners during prolonged unemployment.

        - AW (50.1%): Consistent NRRs ensure stability but may erode adequacy without adjustments for inflation.

- **67% of AW (70.0%–62.5%):** Strong initial support tapers but remains adequate, potentially straining median earners over time.

- **EU MWD Benchmarks:**
  - 60% GMW (69.5%–57.9%): Initial NRRs exceed benchmarks but fall below adequacy in later months, impacting vulnerable groups.

  - 50% AW (70.8%–59.0%): NRRs consistently exceed benchmarks, providing solid support for average earners despite tapering.

Granular Analysis of the Unemployment Benefit Net Replacement Rates Relative to the Earnings Scenarios Using a Basic Spreadsheet (Excel) Model

09. While the spreadsheet methodology aligns with broader trends observed in the TBM, its simplified calculations highlight these challenges more starkly and should be treated as indicative rather than definitive. The spreadsheet results suggest important trends in the new UB mechanism. Low-income earners, particularly those in Scenarios 1 and 2 (100% and 120% of NMW), face notable adequacy challenges, with significantly lower NRRs compared to higher-income earners in Scenarios 3 and above. Conversely, the earnings cap at 175% of NMW ensures fiscal sustainability but results in diminishing adequacy for individuals whose pre-unemployment earnings exceed this threshold, as shown in Scenarios 5 and 6. The earnings-based design inherently favours higher-income earners within the capped range, leading to equity concerns. For example, while individuals at 100% of NMW achieve an NRR of only 48.8%, far below the median of 73.2%, higher earners consistently exceed average NRR values.

Monitoring Report Assessment of the Concept Design of the New Unemployment Benefit Mechanism

10. The new UB earnings-based mechanism introduced in 2024 marks a progressive shift from a flat-rate system to a proportional replacement model pegged to the NMW, with a tapered structure over a six-month entitlement period. While this reform addresses critical gaps in fairness and adequacy for middle-income earners, it also introduces challenges related to adequacy for low-income earners, equity for higher-income earners, and long-term adaptability. The MR observes the following:

    (a) Strengths:

        - Improved Fairness and Equity**:** The proportional earnings replacement model enhances fairness by ensuring that benefits align more closely with pre-unemployment income levels, particularly for individuals earning between 150% and 175% of the NMW. Compared to the previous flat-rate structure, the system provides better support for middle-income earners, addressing historical equity concerns. The proportional replacement structure enhances fairness for those earning between 100% and 175% of the NMW, particularly in Scenarios 3–5.

        - Alignment with International Benchmarks**:** The mechanism meets or exceeds ILO adequacy thresholds across all income levels, providing a strong safety net for workers. The mechanism aligns strongly with the EU MWD benchmarks, exceeding the 60% of GMW threshold (63.7%) and the 50% of AW threshold (68.8%). This demonstrates the system's capacity to protect low-income earners and provide equitable support for average earners. For individuals earning 67% of AW, the mechanism achieves a high NRR of 64.9%, aligning closely with international adequacy standards and providing strong replacement rates for median-income earners. This highlights progress in addressing income replacement needs for this critical income group.

        - Re-Employment Incentives**:** The phased tapering structure (60% for six weeks, 55% for ten weeks, and 50% for the final ten weeks) encourages early labour market re-entry, supporting active employment policies.

    (b) Limitations:

- Tapering Impact and Inadequate Support for Low-Income Earners**:** While initial NRRs for low-income earners (NMW and 60% of GMW) exceed EU adequacy benchmarks, tapering causes these rates to fall below adequacy thresholds by Month 4, undermining income security for vulnerable groups.

- Equity Challenges for High-Income Earners**:** The earnings cap at 175% of NMW creates inequities for individuals earning above this threshold (Scenario 6), as they receive the same UB as those earning at the cap (Scenario 5). This limits income replacement adequacy for high earners.

- Alignment Gaps for Average Earners (AW)**:** Despite significant improvements, the NRR for average earners (50.1%) remains below the EU median (59%), highlighting persistent gaps in adequacy for this income group.

- Lack of Adaptability to Wage Inflation**:** Pegging UB calculations to the NMW, without indexation to the AW may reduce its adaptability to wage inflation, although the NMW is now being periodically evaluated and adjusted with the aim of setting its level at 60% of the Median Wage. Over time, this could erode the adequacy of benefits, particularly for average and high-income earners.

11. Concerning policy impacts, the MR finds:

- The proportional design addresses equity concerns for middle-income earners, providing more balanced support across income levels within the capped range. The cap at 175% of NMW limits proportionality in income replacement, creating inequities for individuals earning just above the capped amount.

- Individuals in Scenarios 1 and 2 (closer to the NMW) show lower NRRs than those in Scenarios 3 and above. This discrepancy underscores the impact of lower earnings on income replacement adequacy within the UB system.

- The system aligns strongly with ILO and EU standards for low- and median-income earners, offering an enhanced safety net compared to the flat-rate model.

- Tapering and capping mechanisms undermine adequacy for the most vulnerable groups (low-income earners) and high-income earners above the cap, creating gaps in the system's equity and adequacy goals.

- Despite improvements, the NRR for individuals earning the AW remains low but above the ILO benchmark, reflecting persistent shortcomings in income replacement for this group.

- Pegging the mechanism solely to the NMW (although the NMW is now being periodically evaluated and adjusted with the aim of setting its level at 60% of the Median Wage), without indexation to wage inflation, risks losing alignment with broader economic conditions, particularly as wage inflation outpaces NMW adjustments.

Comparative Assessment of 2024 TaxBEN Model Net Replacement Rate for the Unemployment Benefit with EU Member States

12 Relative to, when compared to EU MS, the UB NRR concerning:

- NMW and AW, Malta ranks in the bottom quarter.

- 67% of the AW, Malta is positioned in the higher mid-range.

- 60% of the GMW, Malta is in the bottom third.

- 50% of the AW, Malta is in the bottom third.

Conclusions and Recommendations of the Monitoring Report

13. The 2024 earnings-based UB mechanism represents a significant advancement, effectively addressing longstanding equity and adequacy gaps that defined the previous flat-rate system. While the reform has notably enhanced fairness, particularly for middle-income earners, it also exposes, as presented above, critical challenges that must be addressed to ensure the mechanism's long-term sustainability and alignment with international standards.

14. To address these challenges, the MR recommends:

    (a) Modifying the Tapering Formula for Enhanced Low-Income Support: Analysis by the DSS and SID shows that the average time between unemployment and re-employment is around 10 weeks. To better support low-income earners, one particular reform option is that of extending Phase 01 of the tapering structure by increasing the 60% entitlement period from 6 weeks to 10 weeks. This adjustment would enhance the NRR adequacy, reduce financial stress, and improve resilience during the critical early stages of unemployment, aligning with observed trends and addressing income gaps effectively.

    (b) The newly introduced unemployment benefit mechanism, based on earnings pegged to the NMW and adjusted annually through retail inflation (COLA), should remain in place. However, in a functioning economy, wage inflation typically outpaces retail inflation, potentially creating a gap that could compromise the mechanism's adequacy over time. To address this, a study should be undertaken to explore options for ensuring the mechanism responds dynamically to economic growth and inflation trends, maintaining its long-term adequacy and relevance. Paragraphs 15 to 17 and Appendix 05, titled Scenario-Based Analysis of Spreadsheet Results: Addressing Evaluation-Identified Challenges in the New Earnings-Based UB Framework, provide a high-level review of potential options for further detailed analysis in the proposed study.

    (c) Aligning UB MRs with the LWC Review Cycle: In line with the terms of reference of the LWC, the adequacy of the UB mechanism should be assessed 12 months before the statutory deadline for the LWC's report to the Prime Minister. Given the centrality of the NMW in the UB mechanism's design, synchronising this MR with the LWC's work will enable a coordinated approach to addressing adequacy gaps and ensuring the system evolves with economic realities.

15. The MR analysed various scenarios to assess potential adjustments to the UB formula and their impact on NRR adequacy relative to IRRIs, the EU MWD, and the ILO benchmark of 45% of AW. The modelling is conducted on a spreadsheet, thus, outside of the TBM but following its principles, used the AW as a baseline and calculated NRRs on net earnings, deducting a 10% employee social security contribution. Scenarios were tested at both 100% and 175% of NMW to evaluate the UB mechanisms at both the minimum and maximum earnings range. The eight scenarios modelled are:

    01 Indexation to the UB mechanism of *70% Wage Inflation + 30% Retail Inflation* (similar to the pension indexation referred to above).

    02. Indexation to the UB mechanism of *50% Wage Inflation + 50% Retail Inflation*.

    03. Indexation to the UB mechanism of *30% Wage Inflation + 70% Retail Inflation*.

    04. Configuring the current UB mechanism tapering formula to the following: *UB = (1*213.5*0.6)*10+(1*213.5*0.55)*10 + (1*213.5 *0.5)*6*, and after that rendered net of social security contributions and annualised.

    05. Configuring the current UB mechanism tapering formula to the following: UB = (1*213.5*0.6)*16+(1*213.5*0.55)*10, and after that rendered net of social security contributions and annualised.

06. Configuring the current UB mechanism tapering formula to the following: *UB = (1*213.5*0.6)*10+(1*213.5*0.55)*16*, and after that rendered net of social security contributions and annualised.

07. Combination of Scenario 02 and 04.

08. Combination of Scenario 01 and 05.

16. Scenario 8, which combines Scenario 1 (70% wage inflation + 30% retail inflation) and Scenario 5 (two tapering phases of 16 and 10 weeks), delivers the strongest results for both 100% and 175% of NMW. This approach maximises adequacy by blending inflation-responsive indexation with prolonged high-replacement phases. While the indexation scenarios (Scenarios 1–3) yield only marginal improvements, their impact becomes more pronounced at higher earnings levels (175% of NMW). Scenario 5 stands out among Scenarios 1–6 due to its extended 16-week tapering at 60%, offering greater stability in the early unemployment phase. Scenarios 7 and 8 out perform all others by combining the strengths of indexation and structural tapering adjustments. Scenario 8, in particular, achieves the highest NRRs by addressing inflation alignment and extending high-replacement support. A detailed analysis of the results is presented in **Appendix 06**.

17. These scenarios, individually or in combination with structural reforms and robust indexation, improve the UB NRRs compared to those under the new existing mechanism. However, as these scenarios are spreadsheet-modelled, further investigation using more advanced modelling frameworks is necessary to ensure long-term financial sustainability alongside NRR adequacy on all, any, or variants thereof explored. Malta's high employment rate may present an overly positive outlook, so further analyses should incorporate scenarios of high unemployment to test fiscal resilience. A comprehensive evaluation is essential to determine whether these options or variants can sustainably improve the current UB mechanism in terms of the NRR adequacy level while addressing the challenges identified.

Evaluation of the Special Unemployment Benefit

18. This MR concludes that, despite the declining number of SUB beneficiaries, SUB should be retained due to its critical role in addressing household poverty and its design tailored to meet the needs of vulnerable households. Removing the SUB and shifting its beneficiaries to the earnings-based UB would undermine its focus on poverty alleviation and could leave larger households more exposed to financial insecurity.

19. The MR shows that some SUB beneficiaries would receive higher support under the UB. To address this, a “benefit pathwaying” mechanism should be introduced to SABS to automatically assess claimants for both benefits and assign them to the one providing greater support, ensuring fairness, reducing inequities, and improving system efficiency.

20. These reforms will ensure that the SUB continues to address the needs of vulnerable households effectively while maintaining equity across income groups.

Evaluation of the Unemployment Assistance Net Replacement Rates

Analysis of the OECD TaxBEN Unemployment Assistance Net Replacement Rates Relative to the Internationally Recognised Reference Indicators and the EU Minimum Wage Directive

21. The UA mechanism successfully provides strong support for low-income earners and aligns with the IRRIs and EU MWD benchmarks. More specifically, the MR finds:

    (a) Strengths:

        - Strong Support for Low-Income Earners: The means-tested UA ensures resources are directed to low-income households, particularly those on NMW or slightly above, who face a higher risk of unemployment and limited financial buffers. The UA mechanism

significantly exceeds the 60% of GMW (73.0%) and 50% of AW (67.2%) benchmarks, ensuring robust income security for low-income individuals.

- Alignment with EU Poverty Reduction Goals: The high NRR for NMW earners (75.7%) effectively aligns with EU poverty reduction and basic income security objectives.

- Means-tested design: The UA's eligibility criteria ensure that assistance is provided only to those who genuinely lack the financial means to support themselves, avoiding unnecessary expenditure on individuals with significant financial assets.
- COLA-Driven Stability: The UA is indexed to fully COLA and adjusted annually.

- ALMPs Smoothening to Employment: The TOB specifically enhances the UA's effectiveness by facilitating transitions back into employment.

- Complementary role to the UB: UA serves as a safety net for individuals who exhaust their UB entitlement but meet the means test, offering continued support during prolonged unemployment.

(b) Limitations

- Inability to Address Proportional Replacement for Higher Income Levels: While the UA is not designed for middle- or higher-income earners, transitioning from UB to UA can significantly drop income for individuals who previously earned closer to or above the AW. This could create a financial strain for those who fail the means test. This is mitigated to some effect by the complementary ALMPs.

- Flat-Rate Inflexibility: The design does not reflect varying pre-unemployment income levels or living costs, limiting its responsiveness to diverse needs.

- Dependence on COLA Adjustments: COLA-based updates fail to capture proportional adequacy or respond to rapid economic changes, making the mechanism less dynamic and adaptable.

22. Concerning policy impacts, the MR finds:

- Ensures low-income households, particularly those on NMW or slightly above, have access to a robust safety net during periods of unemployment.

- Aligns strongly with EU poverty reduction and adequacy benchmarks, particularly the 60% of GMW and 50% of AW standards.

- The means-tested design enhances the social welfare safety net by targeting those most in need and excluding individuals with financial resources above the threshold.

- The ALMP measures play an important role in the transitions from the UA to employment, and since their introduction have successfully met this objective.

- The flat-rate design, while efficient, risks underserving individuals in low-income households with higher-than-average living costs.

Comparative Assessment of 2024 TaxBEN Model Net Replacement Rate for the Unemployment Assistance with EU Member States

23. Relative to when compared to EU MS, the UA NRR concerning.

- NMW, Malta ranks third.

- AW, Malta places in the lower mid-point

- 67% of the AW, Malta is positioned in the mid-range.

- 60% of the GMW, Malta ranks fourth.
- 50% of the AW, Malta places in the higher mid-point.

Assessment of the Contributory Unemployment Benefit Net Replacement Rate Adequacy Level Relative to Reference Point Indicators Using the 2024 Tax-Benefit Model

24. The UA is not a standalone measure but part of a dynamic system aimed at reducing unemployment reliance and fostering sustainable labour market integration. Further granular analysis is unnecessary as it would not account for the transitional impacts of ALMPs such as the TOB.

Conclusions and Recommendations of the Monitoring Report

25. The evaluation concludes that the UA scheme performs effectively in terms of NRR adequacy levels, even when benchmarked against other EU MS. It demonstrates that the UA successfully fulfils its primary objective: providing an adequate safety net for low-income individuals who are unable to secure employment after exhausting their entitlement to contributory employment benefits. For those who meet the means-testing criteria, the UA offers essential financial support, ensuring a baseline level of income security during periods of unemployment. It is pertinent to add that the government has successfully implemented the TOB, which smoothens the re-entry of persons on UA into employment.

26. No changes are recommended to the design mechanism of the UA. However, during periods of rapid and negative economic shifts, the government should, as it has done over the past recent years, temporarily intervene to increase UA levels or provide complementary benefits such as the Additional Cost of Living Benefit as necessary to provide additional support.

Evaluation of the Unemployment Benefits Adequacy Level Using the Modified International Social Security Association Model

27. This MR applies the modified ISSA adequacy model prepared by the IA for SID to analyse Malta's unemployment benefits system. The MR score of 471 reflects significant improvements over the IA score of 363. However, data gaps in the IA render direct comparisons between the two unfeasible.

28. To ensure consistency and progress tracking, the MR's findings and results should be established as the baseline for future MRs. Collaboration between the SID, SSD, Jobplus, and the NSO is essential to address data gaps and refine the monitoring framework for a more accurate assessment of unemployment benefit adequacy.

Figure 01: Unemployment Benefit Net Replacement Rate relative to the National Minimum Wage

Figure 02: Unemployment Benefit Net Replacement Rate Relative to the Average Wage

Figure 03: Unemployment Benefit Net Replacement Rate Relative to 67% of the Average Wage

Figure 04: Unemployment Benefit Net Replacement Rate Relative to 50% of the Average Wage

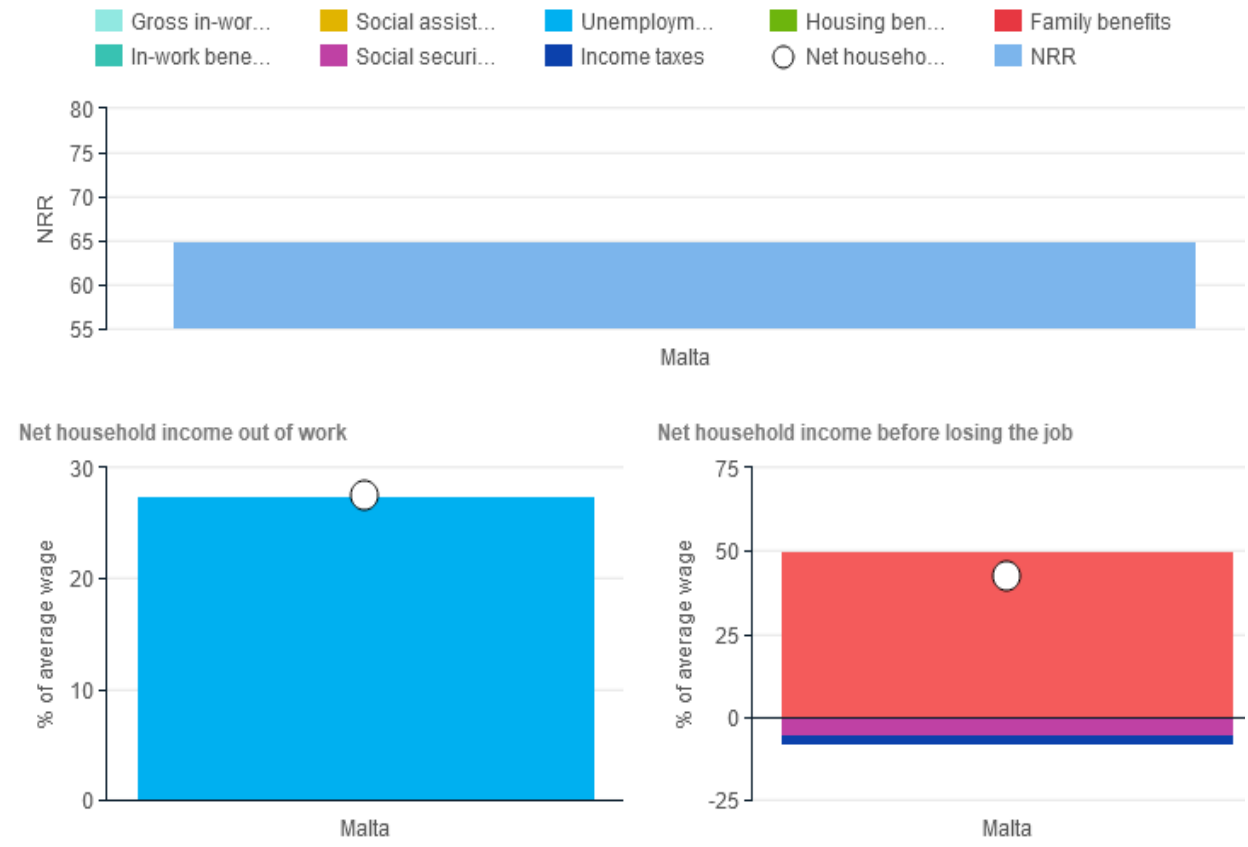


Figure 05: Unemployment Benefit Net Replacement Rate relative to 60% of the Gross Median Wage

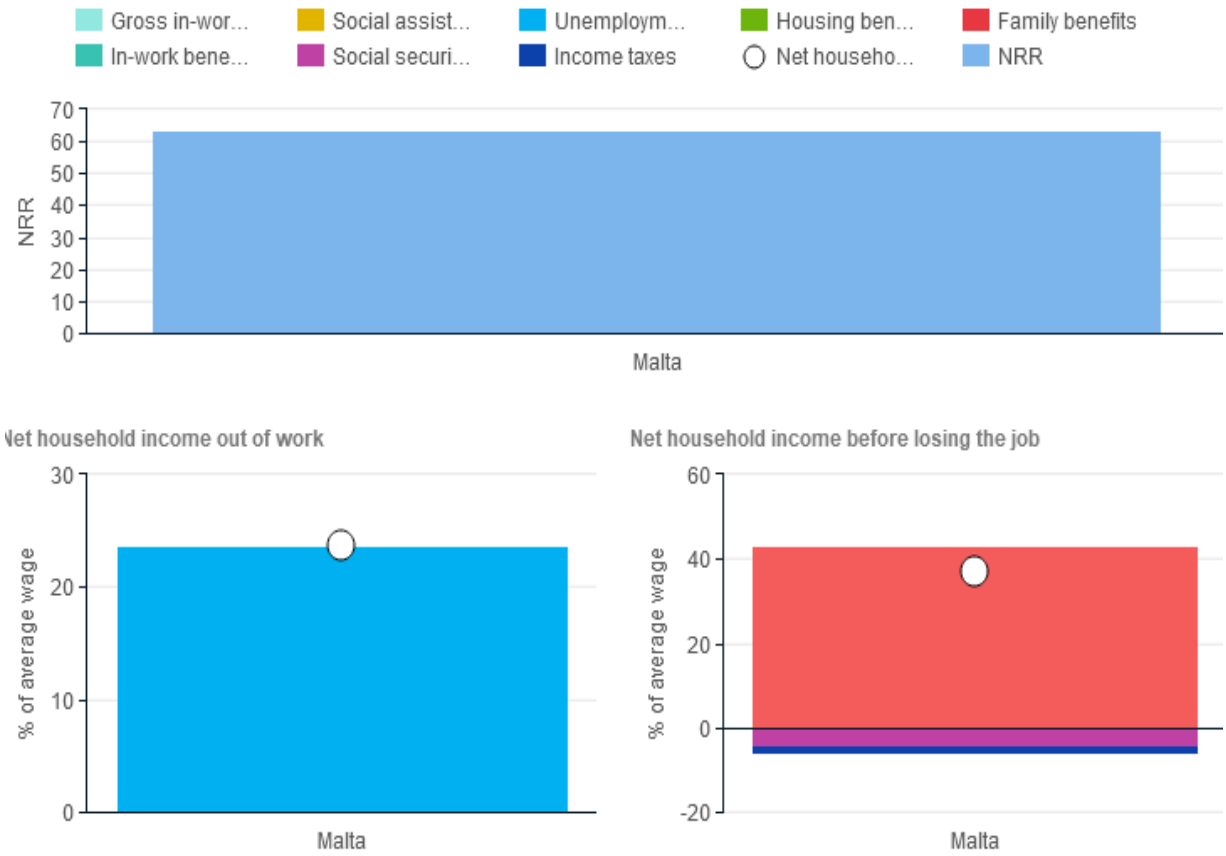


Figure 01: Unemployment Benefit Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period Relative to the National Minimum Wage

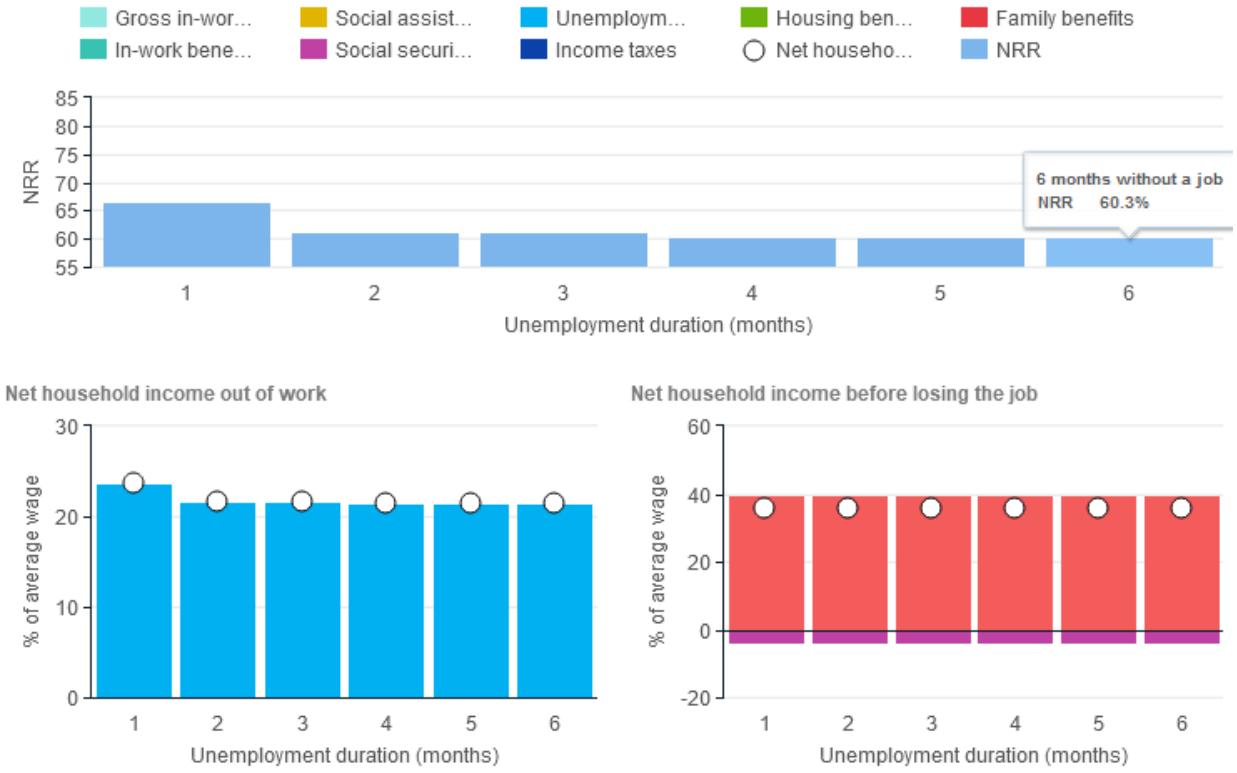


Figure 02: Unemployment Benefit Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period Relative to the Average Wage

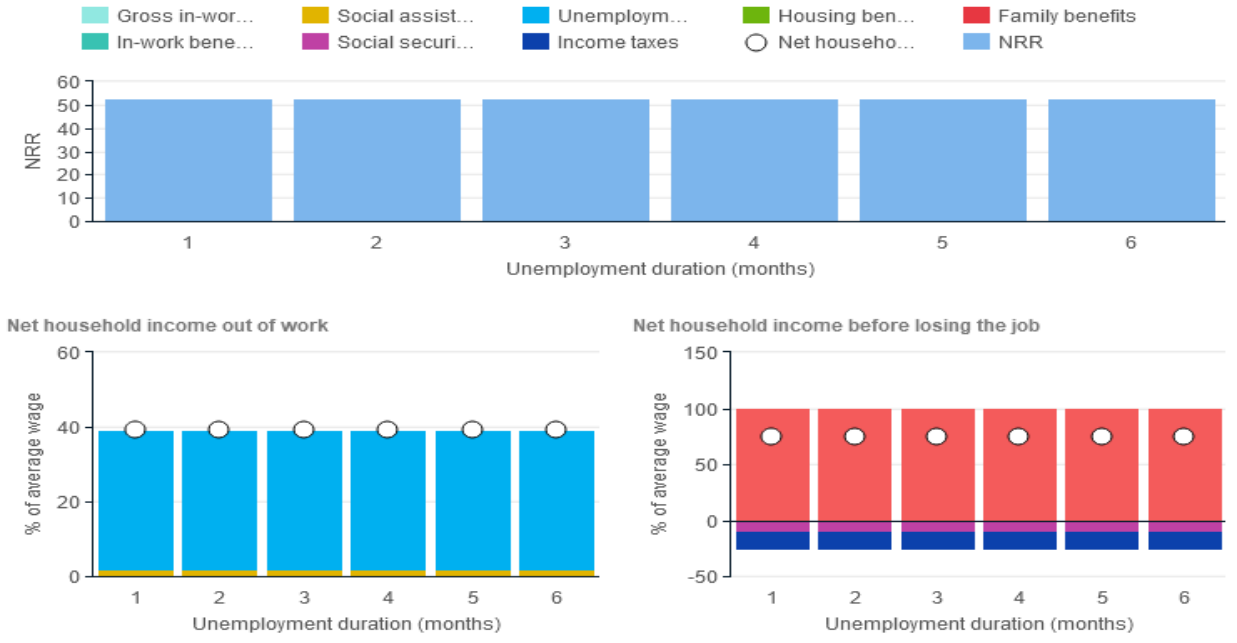


Figure 03: Unemployment Benefit Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period Relative to 67% of the Average Wage

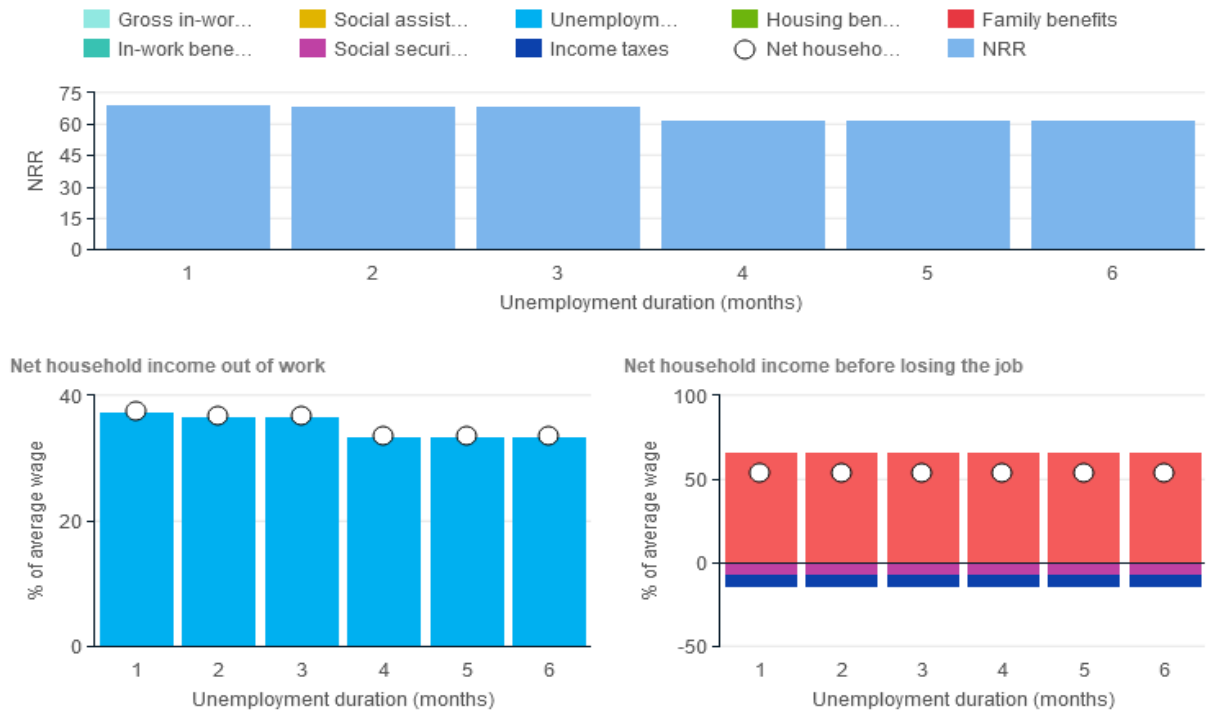


Figure 04: Unemployment Benefit Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period Relative to the Gross Median Wage

Figure 05: Unemployment Benefit Net Replacement Rate Performance Across Tapered Phases Over the Six-Month Entitlement Period Relative to 50% of the Average Wage

Figure 01: National Minimum Wage Net Replacement Rates: Transitioning from Unemployment Benefit to Unemployment Assistance

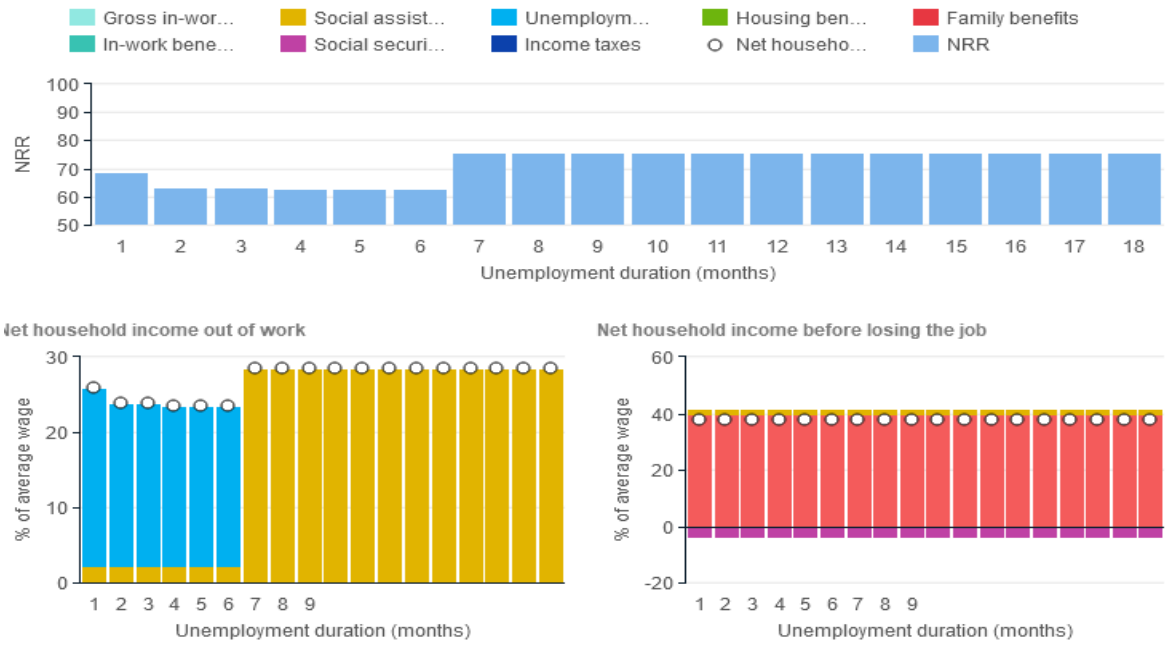


Figure 02: Average Wage Net Replacement Rates: Transitioning from Unemployment Benefit to Unemployment Assistance

Figure 03: 67% of Average Wage Net Replacement Rates: Transitioning from Unemployment Benefit to Unemployment Assistance

Figure 04: 60% of Gross Median Wage Net Replacement Rates: Transitioning from Unemployment Benefit to Unemployment Assistance

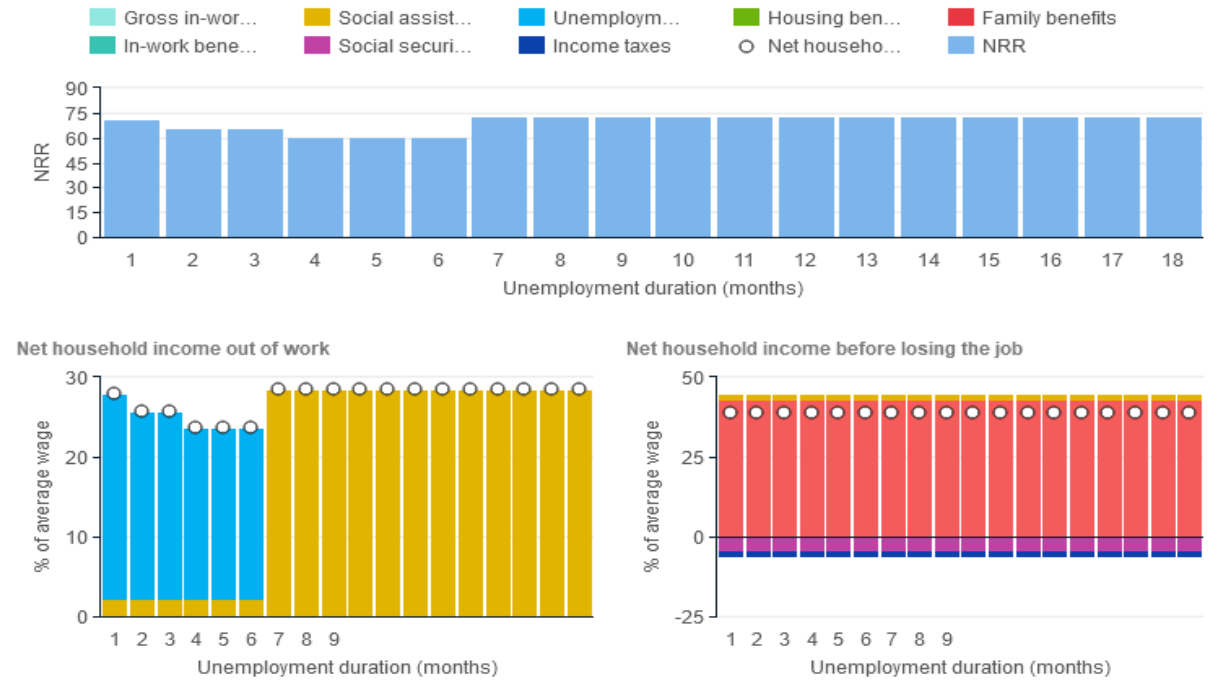


Figure 05: 50% of Average Wage Net Replacement Rates: Transitioning from Unemployment Benefit to Unemployment Assistance

01. Introduction

The 2024 earnings-based UB mechanism represents a significant advancement, effectively addressing longstanding equity and adequacy gaps that defined the previous flat-rate system. While the reform has notably enhanced fairness, particularly for middle-income earners, it also exposes, as presented above, critical challenges that must be addressed to ensure the mechanism's long-term sustainability and alignment with international standards.

To address these challenges, the MR recommends:

(a) Modify the Tapering Formula for Enhanced Low-Income Support: The tapering structure should be adjusted to provide stronger early-stage support for low-income earners.

(b) The unemployment benefit mechanism, tied to the NMW and adjusted via COLA, should remain in place. However, as wage inflation often outpaces retail inflation, a study is proposed to explore how the mechanism can adapt dynamically to this relationship, ensuring long-term adequacy.

(c) Align UB MRs with the LWC Review Cycle: In line with the terms of reference of the Low Wages Commission (LWC), the adequacy of the UB mechanism should be assessed 12 months before the statutory deadline for the LWC's report to the Prime Minister. Given the centrality of the NMW in the UB mechanism's design, synchronising this MR with the LWC's work will enable a coordinated approach to addressing adequacy gaps and ensuring the system evolves with economic realities.

02. Scenarios Modelled

The MR analysed various scenarios to assess potential adjustments to the UB formula and their impact on NRR adequacy relative to IRRIs, the EU MWD, and the ILO benchmark of 45% of AW. The modelling, conducted independently of the TBM but following its principles, used the AW as a baseline and calculated NRRs on net earnings, deducting a 10% employee social security contribution. Scenarios were tested at both 100% and 175% of NMW to evaluate the mechanism's full earnings range. The eight scenarios modelled are:

01 Indexation to the UB mechanism of *70% Wage Inflation + 30% Retail Inflation* (similar to the pension indexation referred to above).

02. Indexation to the UB mechanism of *50% Wage Inflation + 50% Retail Inflation*.

03. Indexation to the UB mechanism of *30% Wage Inflation + 70% Retail Inflation*.

04. Configuring the current UB mechanism tapering formula to the following: *UB = (1*213.5*0.6)*10+(1*213.5*0.55)*10 + (1*213.5 *0.5)*6*, and after that render net of social security contributions and annualised.

05. Configuring the current UB mechanism tapering formula to the following: UB = (1*213.5*0.6)*16+(1*213.5*0.55)*10, and after that render net of social security contributions and annualised.

06. Configuring the current UB mechanism tapering formula to the following: *UB = (1*213.5*0.6)*10+(1*213.5*0.55)*16*, and after that render net of social security contributions and annualised.

07. Combination of Scenario 02 and 04.
08. Combination of Scenario 01 and 05.

Table 01 illustrates the UB NRRs for each modelled scenario at the lowest tier of the current earnings-based mechanism, corresponding to a multiplier of 1 (100% of the NMW).

Table 01: NRR Results for Unemployment Benefits Under Modelled Scenarios at the Minimum Threshold of the Current Earnings-Based Mechanism

		Multiplier	Earnings	Annualised	IRRI			EU MWD Benchmarks		ILO
					NMW	AW	67% of AW	60% of GMW	50% of AW	45% of AW
					€11,104	€28,677	€19,214	€12,240	€14,339	€12,905
	UB Earnings Based Mechanism	1.0	€11,104	€5,419	48.8	18.9	28.3	44.3	37.8	42.0
Scenario 01	70% WI+30RI			€5,580	50.3	19.5	29.0	45.6	38.9	43.2
Scenario 02	50% WI+50% RI			€5,565	50.1	19.4	29.0	45.5	38.8	43.1
Scenario 03	30%WI+70%RI			€5,549	50.0	19.4	28.9	45.3	38.7	43.0
Scenario 04	First tapering phase increased to 10 wks			€5,573	50.2	19.4	29.0	45.5	38.8	43.2
Scenario 05	Two tapering phases of 16 and 10			€5,804	52.3	20.2	30.2	47.4	40.4	45.0
Scenario 06	Two tapering phases of 10 and 16			€5,688	51.2	19.8	29.6	46.5	39.6	44.1
Scenario 07	Scenario 2 + Scenario 4			€5,724	51.5	20.0	29.8	46.8	39.8	44.4
Scenario 08	Scenario 1 + Scenario 5			€5,976	53.8	20.8	31.1	48.8	41.6	46.3

Table 02 illustrates the UB NRRs for each modelled scenario at the cap of the current earnings-based mechanism, corresponding to a multiplier of 1.75 (175% of the NMW).

Table 02: NRR Results for Unemployment Benefits Under Modelled Scenarios at the Maximum Cap of the Current Earnings-Based Mechanism

		Multiplier	Earnings	6 Annualised	IRRI			EU MWD Benchmarks		
					NMW	AW	67% of AW	60% of GMW	50% of AW	45% of AW
	UB Earnings Based Mechanism	1.75	€19,432	€9,483	85.4	33.1	49.6	77.5	66.1	73.5
Scenario 01	70% WI+30RI			€9,765	87.9	34.1	50.8	79.8	68.0	75.7
Scenario 02	50% WI+50% RI			€9,739	87.7	34.0	50.7	79.6	67.9	75.5
Scenario 03	30%WI+70%RI			€9,712	87.5	33.9	50.5	79.3	67.7	75.3
Scenario 04	First tapering phase increased to 10 wks			€9,753	87.8	34.0	50.8	79.7	68.0	75.6
Scenario 05	Two tapering phases of 16 and 10			€10,157	91.5	35.4	52.9	83.0	70.8	78.7
Scenario 06	Two tapering phases of 10 and 16			€9,555	86.1	33.3	49.7	78.1	66.6	74.0
Scenario 07	Scenario 2 + Scenario 4			€10,016	90.2	34.9	52.1	81.8	69.8	77.6
Scenario 08	Scenario 1 + Scenario 5			€10,459	94.2	36.5	54.4	85.4	72.9	81.0

03. Analysis of Scenario Results

03.1 Indexation Scenarios 01 to 03

Indexation Scenarios 1–3 provide insight into the effects of hybrid indexation formulas on the NMW and the corresponding adjustments to social benefits. These scenarios apply methodologies that combine wage and retail inflation to align benefit thresholds with economic growth. For instance, Scenario 1 utilises a formula composed of 70% wage inflation and 30% retail inflation, ensuring that annual thresholds are adjusted systematically to reflect changes in both income and consumer prices.

The outcomes of these scenarios reveal varied impacts depending on the earnings level under consideration. At 100% NMW, the indexed increases range from 2.42% to 2.98%, leading to marginal improvements in net NRRs. For example, under Scenario 1, the NRR increases slightly to 50.3% compared to 48.8% under the baseline. However, the effects become more pronounced at 175% NMW, where the larger earnings base results in more substantial gains. Even so, the overall improvements remain modest, with NRRs increasing by approximately 2–3 p.p. across indicators when compared to baseline values.

The limited impact of these scenarios is attributable to several factors. First, the modest indexation rates employed by the hybrid formulas do not generate significant absolute increases in weekly benefits. This restricts the potential for meaningful improvement, particularly at the lower end of the wage spectrum. Second, the proportional impact of indexation is diluted at lower earnings levels, where the initial NMW baseline already constrains benefits. Consequently, even minor adjustments appear negligible in practice. Finally, while the combination of wage and retail inflation ensures that benefits do not lag behind economic growth, these formulas fail to address deeper structural inadequacies within the system. They function effectively to maintain the relative value of benefits over time but are insufficient to resolve the underlying issues that limit their adequacy for low-income earners.

In summary, the hybrid indexation formulas applied in Indexation Scenarios 1–3 demonstrate a constrained capacity to bring about significant improvements in NRRs or rectify structural deficiencies in the benefits system. While these mechanisms serve an important role in preserving the real value of benefits, their overall impact remains modest, particularly for minimum wage earners.

03.2 Structural Adjustments to Tapering Phases: Scenarios 04 to 06

Structural Adjustments to Tapering Phases in Scenarios 4–6 explore targeted modifications to the duration and rates of benefit replacement phases, aiming to enhance income stability during periods of transition. These scenarios adjust the length and proportion of tapering phases to improve support for beneficiaries while addressing specific policy goals related to adequacy and proportionality.

In Scenario 4, the duration of the highest replacement rate (60%) is extended from six to ten weeks, while the lowest replacement rate (50%) is reduced to six weeks. This adjustment results in marginal improvements over the baseline, with annualised benefits increasing slightly from €5,419 to €5,573 at 100% NMW. The extended high-replacement phase offers stronger initial support, particularly during critical periods of income disruption. However, the overall benefit increase is limited by the static NMW baseline and the capped total entitlement duration. As a result, the scenario falls short of addressing the structural adequacy gaps that persist for low-income earners.

Scenario 5 introduces more substantial changes by extending the 60% replacement phase to 16 weeks and the 55% phase to 10 weeks, eliminating the 50% phase. This approach yields the most significant improvements among Scenarios 1–6, particularly at higher income levels, such as 175% NMW. For example, the net replacement rate (NRR) for 60% of GMW increases from 77.5% under the baseline to 83%. By lengthening the high-replacement phases, Scenario 5 enhances income stability during transitional periods and better aligns with EU MWD benchmarks. The extended support is particularly beneficial for middle-income earners while maintaining proportionality to ensure low-income groups are not disadvantaged.

The strengths of Scenario 5 lie in its ability to provide prolonged support for individuals transitioning back into the workforce. This adjustment not only mitigates financial stress during re-employment but also reflects EU principles of adequacy and proportionality, creating a more robust safety net. By focusing on the needs of middle-income earners without compromising support for lower-income groups, the scenario balances equity with effectiveness. This policy relevance is particularly significant in fostering alignment with EU guidelines and ensuring greater socio-economic stability.

Overall, the structural adjustments proposed in Scenarios 4–6 demonstrate varied capacities to enhance income replacement during tapering phases. While Scenario 4 offers modest improvements with a focus on low-income groups, Scenario 5 emerges as a more comprehensive solution, providing stronger and more sustained support that aligns with broader policy objectives. These findings underline the importance of nuanced and proportional reforms to address the diverse needs of beneficiaries effectively.

03.3 Combined Scenarios: Scenarios 07 to 08

Combined Scenarios 7 and 8 represent integrative approaches that merge the benefits of indexation mechanisms with structural adjustments to tapering phases. These scenarios aim to enhance the adequacy of benefits across income levels while addressing both immediate and long-term policy objectives.

Scenario 7 combines the indexation formula from Scenario 2, which allocates equal weighting to wage and retail inflation (50% each), with the extended 60% tapering phase introduced in Scenario 4. This combination yields notable improvements in adequacy at both 100% and 175% NMW when compared to the individual scenarios. The compounded effects of hybrid indexation and extended tapering result in a significant boost to NRRs. At 175% NMW, NRRs exceed 90% for the NMW threshold and approach 52% for 67% of AW, outperforming baseline results. These outcomes demonstrate the effectiveness of combining modest indexation adjustments with targeted structural reforms to create a more equitable and responsive benefit system.

Scenario 8 integrates the 70% wage and 30% retail inflation indexation formula from Scenario 1 with the extended tapering phases of Scenario 5. This hybrid approach delivers the most substantial improvements across all scenarios. At both 100% and 175% NMW, Scenario 8 achieves the highest NRRs, reflecting its superior capacity to address adequacy gaps. At 175% NMW, the NRR for 60% of GMW reaches 85.4%, a significant improvement over the baseline (77.5%) and Scenario 5 (83%). These outcomes highlight the potential of combining robust indexation mechanisms with extended high-replacement phases to provide comprehensive support.

The policy implications of Scenario 8 are particularly compelling. By offering robust adequacy for both low- and middle-income groups, it aligns well with EU principles of proportionality and adequacy. The hybrid approach ensures immediate improvements in benefit levels through extended tapering phases, while the inclusion of a sustainable indexation formula safeguards long-term value. This balance between short-term adequacy and long-term sustainability makes Scenario 8 a model for addressing both structural and policy-driven challenges in benefit systems.

In conclusion, the combined scenarios highlight the advantages of integrative reforms that merge indexation and structural adjustments. Scenario 7 demonstrates the value of incremental improvements through modest indexation and targeted tapering extensions, while Scenario 8 stands out as the most comprehensive and impactful approach. Together, these scenarios underline the potential of hybrid strategies to deliver meaningful improvements across income thresholds, fostering greater equity and alignment with policy objectives.

03.4 Deeper Look at Minimal Impacts of Wage Inflation-Retail Inflation Hybrid Adjustments (Scenarios 01 to 03)

The limited impact of the indexation scenarios can be attributed to a combination of factors that constrain their ability to deliver meaningful improvements in benefit adequacy. These include the low starting base of the indexed wages, proportional limitations at different income levels, and broader structural constraints inherent in the system.

The primary reason for the minimal impact is the low starting base of the NMW. At 100% NMW, the absolute indexed increases are modest, amounting to approximately €5–€6 per week. This limited adjustment stems from the relatively low baseline wage of €213.50, which serves as the foundation for calculating indexed benefits. As a result, even a proportional increase appears negligible in practical terms, offering little improvement in overall benefit adequacy for individuals at the lower end of the income spectrum.

Another significant limitation arises from the proportional nature of the indexed increases. While the gains are somewhat more noticeable at higher income multipliers, such as 175% of NMW, they remain constrained by the modest indexation rates applied in these scenarios. For example, indexation rates ranging from 2.42% to 2.98% provide only incremental improvements, which, though slightly more pronounced for higher earners, fail to address the broader disparities in replacement rates or overall adequacy. The proportional limitations underscore the challenge of relying on indexation as a standalone mechanism to achieve substantial gains in social benefit adequacy.

Structural constraints further limit the effectiveness of indexation scenarios. These mechanisms do not address deeper systemic issues, such as inequities embedded in tapering phases or the capped earnings range within which benefits are calculated. For instance, the fixed duration and steep declines in replacement rates during tapering phases disproportionately impact low-income earners, exacerbating structural inadequacies. Indexation, while preventing benefits from falling behind inflation, is insufficient to resolve these foundational challenges, which require more comprehensive policy reforms.

In conclusion, the minimal impact of indexation scenarios is rooted in the interplay between a low starting wage base, the limited proportional gains achievable under modest indexation rates, and structural inefficiencies within the benefits system. While indexation serves an essential function in preserving the real value of benefits over time, its capacity to drive meaningful improvements in adequacy is inherently constrained. Addressing these limitations requires a broader policy approach that combines indexation with structural adjustments and targeted reforms to support low- and middle-income groups better.

03.5 Deeper Look at Best-performing Structural Adjustment to Tapering Phases: Scenario 05

Scenario 5 outperforms other structural adjustment scenarios (Scenarios 4 and 6) primarily due to its emphasis on extending the highest replacement rate phase (60%) to 16 weeks. This extended period provides significant advantages that address both individual and policy-level challenges more effectively than the alternatives.

First, the longer duration of the 60% replacement rate offers sustained income stability, which is critical during the early phase of unemployment. By maintaining a higher income level for an extended period, individuals face reduced economic stress, enabling them to meet essential expenses without resorting to unsustainable financial strategies such as excessive borrowing or depletion of savings. This stability not only supports immediate household needs but also contributes to broader economic resilience by maintaining consumer spending during periods of personal financial uncertainty.

Second, the prioritisation of a longer high-replacement phase actively supports labour market re-entry. By providing a more secure financial foundation, individuals are better positioned to focus on job-seeking activities, including skill enhancement, attending interviews, and exploring suitable opportunities. The alignment of this approach with active employment policies ensures that the benefits system not only mitigates short-term economic hardship but also promotes reintegration into the workforce within a realistic and productive timeframe. The 16-week period is particularly effective in accommodating the variability of job search durations, allowing recipients adequate time to secure employment without experiencing a steep drop in income.

Additionally, Scenario 5 eliminates the lowest replacement phase (50%), which disproportionately undermined overall adequacy in previous models. The 50% phase, often viewed as insufficient to meet basic living costs, disproportionately affected low-income earners, exacerbating inequality and undermining the social safety net's objectives. By removing this phase and reallocating its duration to the higher replacement tiers, Scenario 5 achieves a more equitable distribution of benefits, enhancing support for vulnerable groups while maintaining proportionality for middle-income earners.

The broader policy implications of Scenario 5 are noteworthy. Its design aligns with the principles of adequacy and proportionality, ensuring that benefits meet the dual objectives of addressing immediate economic needs and promoting long-term labour market engagement. Furthermore, the scenario fosters a balance between providing robust support and incentivising timely employment, avoiding the pitfalls of prolonged dependency on social benefits. This balance is particularly important in a policy context that seeks to harmonise social protection with economic sustainability.

In summary, Scenario 5's superior performance stems from its strategic focus on extending the highest replacement rate phase, eliminating inadequate low-replacement tiers, and aligning benefits with active employment policies. Its ability to provide both immediate financial stability and longer-term incentives for re-employment makes it a model of structural adjustment that effectively addresses the multifaceted challenges of modern benefit systems.

03.6 Deeper Look at the Best-performing Scenarios of Eight Options Modelled: Scenarios 07 and 08

Scenarios 7 and 8 achieve superior outcomes by combining the benefits of indexation mechanisms with strategic structural adjustments, creating a compounded effect that significantly enhances adequacy. Their performance stems from their ability to address both immediate needs and long-term structural issues more effectively than other approaches.

Scenario 7 integrates the modest indexation mechanism from Scenario 2, which uses a 50% wage and 50% retail inflation formula, with the extended tapering phase of Scenario 4, where the 60% replacement rate is prolonged to 10 weeks. This combination delivers compounded gains in adequacy by ensuring that indexed benefits remain closely aligned with inflation while extending the period of stronger financial support during critical early unemployment phases. The hybrid approach balances moderate but reliable improvements in benefit levels with the practical advantages of sustained high-replacement rates, making Scenario 7 particularly effective for low- to middle-income earners. This scenario demonstrates that even modest indexation mechanisms can yield meaningful results when paired with structural adjustments that prioritise adequacy during transitional periods.

Scenario 8 builds on this approach by leveraging the strongest elements from the individual scenarios: the robust indexation mechanism of Scenario 1 and the impactful structural adjustment of Scenario 5. The 70% wage and 30% retail inflation indexation formula ensures more substantial immediate increases in benefits. In comparison, Scenario 5's extension of the highest replacement rate (60%) to 16 weeks provides sustained adequacy over a longer period. This combination achieves several key outcomes that set it apart from the other scenarios.

First, Scenario 8 maximises immediate benefit increases through its higher indexation formula. By applying a greater weighting to wage inflation, it ensures that benefits are not only protected from eroding purchasing power but also reflect economic growth trends more effectively. This is particularly significant for middle-income groups, where incremental improvements in benefits can make a noticeable difference in maintaining living standards.

Second, Scenario 8 sustains adequacy through extended high-replacement phases. By prolonging the 60% replacement rate to 16 weeks and eliminating the inadequate 50% phase, the scenario provides financial stability during the critical early unemployment period. This approach not only reduces economic stress for recipients but also aligns with active labour market policies by supporting job-seeking efforts within a secure timeframe. The extended high-replacement phase accommodates variability in job search durations, ensuring that individuals are not prematurely transitioned to lower benefit levels that could hinder their reintegration into the workforce.

The combined effects of robust indexation and strategic structural reform make Scenario 8 the most comprehensive and impactful approach. It aligns closely with EU principles of adequacy and proportionality, addressing both the immediate needs of low-income earners and the longer-term stability required for middle-income groups. Furthermore, its hybrid design mitigates the limitations of relying solely on indexation or structural adjustments, demonstrating the value of integrative reforms that balance immediate adequacy with sustainable policy objectives.

In conclusion, Scenarios 7 and 8 outperform other approaches by effectively combining the strengths of indexation and structural adjustments. Scenario 7 achieves incremental but meaningful improvements by pairing modest indexation with extended tapering, while Scenario 8 delivers the most significant gains through its robust hybrid design. These scenarios highlight the importance of addressing both immediate and structural challenges in benefit systems to create a more equitable and effective social safety net.

03.7 Policy Impacts

Scenarios 7 and 8 represent pivotal advancements in balancing benefit adequacy and targeted support within the context of fluctuating economic conditions. Their design incorporates robust indexation mechanisms and extended tapering phases, delivering measurable improvements while aligning with key policy objectives.

Enhanced adequacy is a central outcome of Scenarios 7 and 8. Both scenarios significantly improve NRRs across all reference indicators, particularly for middle- and high-income groups. Scenario 7 achieves incremental but meaningful gains by combining modest indexation with targeted tapering reforms. At the same time, Scenario 8 delivers the highest overall NRRs due to its stronger indexation formula and extended high-replacement phases. These improvements ensure benefits provide sufficient financial stability, enabling recipients to maintain living standards during unemployment while addressing adequacy gaps for both low- and middle-income groups, fostering greater equity within the benefits system.

Additionally, the targeted support embedded in extended tapering phases—particularly in Scenarios 5 and 8—provides stronger protection for low-income earners during critical re-employment periods. By prolonging the 60% replacement rate phase, these scenarios allow individuals to focus on job-seeking activities without the immediate financial pressure of reduced income. This support reduces stress and helps avoid premature workforce re-entry into unsuitable or underpaid roles. The elimination of the 50% replacement phase further enhances this protection, ensuring that low-income groups, who are disproportionately impacted by steep income reductions, benefit from a more equitable structure.

The issue of long-term financial sustainability is a critical consideration across all eight options analysed, as each scenario provides improved UB NRRs compared to the current earnings-based model. While these improvements enhance adequacy and align with policy objectives, they inevitably increase the cost burden on public finances, particularly in periods of high unemployment.

Stress testing should be an integral part of evaluating any proposed reforms. It must simulate the long-term financial impact across varying economic cycles, including those characterised by elevated unemployment rates. In such scenarios, the increased number of UB claimants, coupled with extended high-replacement phases or higher indexed benefits, would significantly amplify public expenditure. This could strain national budgets, posing challenges to the system's financial sustainability. Without careful planning and robust safeguards, even the most effective models for improving NRRs could risk becoming fiscally unsustainable during economic downturns.

The eight scenarios analysed provide a range of pathways to enhance the adequacy of unemployment benefits. However, long-term financial sustainability is a key concern. Any decision to fine-tune the existing model or adopt a new variant must carefully balance the need for enhanced adequacy with the system's resilience under varying economic conditions. A rigorous stress-testing framework, combined with adaptive policy measures, is essential to ensure the sustainability of further investigation of any of the scenarios presented to address the challenges identified in the MR. Any meaningful improvements in benefit adequacy which maintain a robust and sustainable social safety net must be balanced by fiscal safeguards.

(a) Social Protection for Workers and Self-Employed Monitoring Framework Joint update prepared by the Social Protection Committee (SPC) and the European Commission

On 8th November 2019, the Employment, Social Policy, Health, and Consumer Affairs Council (EPSCO) adopted the CoCE Recommendation on Access to Social Protection, in which MS was recommended to ensure that all workers and the S/E can:[75]

- Have access to social protection schemes (closing formal coverage gaps).
- Build up and take up entitlements, which can be preserved, accumulated or transferred across schemes (improving effective coverage).
- They receive sufficient and timely benefits to which they contribute proportionately (adequacy).
- Are informed about their rights and obligations (transparency).

As a follow-up to the Recommendation, the SPC endorsed the monitoring framework in November 2020 (version 0) to assess access to social protection.[76] The 2023 Monitoring Framework (Table 3.1.2.) presents the position of Malta concerning the earnings replacement rate (ERR) of unemployment benefits for employees and S/E (%) as they stand in 2023.[77] **The most recent update of the Monitoring Framework is 2023.**[78]

Table 01: 2023 EC Monitoring Framework Report on NRR for Unemployment Adequacy Benefits

RR for employees			RR for the S/E	Supplements, minimum thresholds, maximum ceilings / amounts
1st Month	2nd Month	After		
Flat rate (no variation over time) €13.97 per day if there are dependents; €9.13 per day otherwise			Same for employees	Supplements for dependents Fixed Rates

The report adds that whilst no reforms were carried out regarding formal and effective courage between the 2021 and 2023 monitoring period, during 2024, Malta's UB's

> "… will undergo reform, tying the applicable rate more closely to the basic income the insured person received in the years preceding unemployment. This reform aims to bolster the income security of affected families during periods of unfortunate unemployment, albeit for a temporary duration. Consequently, the previous practice of a fixed unemployment benefit rate for married or single individuals, in place before 2024, will be replaced with a more realistic system of enhanced rates, comparable to the basic income of the preceding years".[79]

[75] Pg 3, Access to social protection for workers and the self-employed, (Partial) Update of the monitoring framework – 2023, Joint update prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL), file:///C:/Users/Admin/Downloads/Monitoring%20Framework_partial%20update%202023-4.pdf.
[76] Ibid.
[77] Pg 82, Access to social protection for workers and the self-employed, (Partial) Update of the monitoring framework – 2023, Joint update prepared by the Social Protection Committee (SPC) and the European Commission (DG EMPL), file:///C:/Users/Admin/Downloads/Monitoring%20Framework_partial%20update%202023-4.pdf.
[78] https://ec.europa.eu/social/main.jsp?catId=1312&langId=en.
[79] Pg 146, Ibid.

(b) OECD Data Explorer[80]

Table 02 presents the NRR for UB and UA based on the EU Economic Databases and Indicators (EDI).[81] **The most recent data is 2023**. The UB scenario modelled on the EDI mirrors the baseline models. However, this is not true for the UA scenario (twelve-month unemployment period). The EDI does not provide a direct parameter that combines the UB and UA (or SA). Instead, the available parameters include UB and housing benefits (HB) or, as applied in the UA Scenario and presented in the Table below, a combination of UB, HB, and SA. This combination introduces a positive skew to the UA's NRR compared to the 2023 TBM model. Including the HB in the EDI's UA model inflates the overall NRR, potentially leading to overestimating support levels when viewed against the more focused baseline used in the TBM model.

Table 02: NRR for Unemployment Benefit and Unemployment Assistance modelled on the EU Economic Databases and Indicators Tool – 2023 Latest Entry

% Earning	Months	2018	2019	2020	2021	2022	2023
NRR including UB							
50% of earnings	2	42.50	40.50	40.10	43.80	40.90	41.70
67% of earnings	2	33.10	31.70	31.50	34.20	32.20	32.90
100% of earnings	2	24.00	22.80	22.60	24.80	23.10	23.60
NRR, including UB, HB, SA							
50% of earnings	13	66.20	76.20	75.70	79.70	78.30	79.70
67% of earnings	13	59.80	69.00	65.70	69.00	68.00	69.30
100% of earnings	13	43.40	49.60	48.70	52.90	50.30	50.50

[80] Accessed on 20th October 2024.
[81] https://europa.eu/economy_finance/db_indicators/tab/#.

This Appendix summarises the key findings from the 2024 JER, prepared by the EC and the Council, concerning employment and unemployment. The JER monitors the employment situation across the EU. It assesses the implementation of the Employment Guidelines, as required under Article 148 of the Treaty on the Functioning of the European Union (TFEU). This report is a vital tool in the EU's employment and social policy coordination, offering insights into trends, challenges, and progress made by MS in promoting employment, reducing unemployment, and improving the quality of work. The 2024 JER evaluates national policies concerning EU targets, helping to guide further reforms and alignments with broader EU employment goals. **Figure 01** highlights the relevant sections of the EU Social Scoreboard related to employment and unemployment. [82] Malta's performance is highlighted, showing that the country ranks among the top performers in two KPIs and exceeds the EU average in one additional KPI.

Figure 01: EU Social Scoreboard Concerning Employment and Unemployment[83]

		Best performers	Better than average	Good but to monitor	On average	Weak but improving	To watch	Critical situations
Youth NEET rate (% of total population aged 15-29)	2022	MT, SE	AT, DE, DK, IE, LU, PL, PT	NL, SI	BE, EE, FR, HU, LT, LV, SK	BG, IT	CZ, ES, FI, HR	CY, EL, RO
Gender employment gap (percentage points)	2022	EE, FI, LT, LV	DK, FR, LU, PT	SE	AT, BE, BG, DE, ES, HR, HU, NL, SI, SK	MT, RO	CY, IE, PL	CZ, EL, IT
Employment rate (% of population aged 20-64)	2022	CZ, EE, NL, SE	BG, DE, DK, HU, IE, LT, MT		AT, CY, FI, FR, LU, LV, PL, PT, SI, SK	EL	BE	ES, HR, IT, RO
Unemployment rate (% of active population aged 15-74)	2022	CZ, DE, MT, PL	AT, BG, DK, HU, IE, NL, SI		BE, CY, EE, FI, HR, LT, LU, LV, PT, RO, SK	EL, ES, IT	FR, SE	
Long-term unemployment rate (% active population aged 15-74)	2022	DK	AT, CZ, DE, EE, HU, IE, LU, NL, PL	MT	BE, BG, CY, FI, FR, HR, LT, LV, PT, SE, SI	EL, ES, IT	RO	SK
Disability employment gap (percentage points)	2022	DK, ES, IT, LU, PT	DE, FI, SI		AT, CY, CZ, EL, FR, LV, NL, SK		BG, EE, MT, PL, RO, SE	BE, HR, HU, IE, LT

Figure 02 shows the youth population rate (age 15-24) as a percentage of the active population for various periods: Q4 2019 (2019 pandemic), Q3 2020 (peak of the pandemic), Q2 2022 (post-pandemic), and Q2 2023. Youth unemployment in Malta in Q2 2023 remains slightly lower than in Q2 2022.[84]

[82] Pg 28, Joint Employment Report 2024, As adopted by the Council on 11th March 2024, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2024.
[83] Update of October 2023. Due to substantial changes in the definition of the indicator on the share of individuals who have basic or above basic overall digital skills in 2021, a comparable value for 2019 is not available, therefore analysis of this indicator relies, exceptionally, only on 2021 levels (assuming 'no change' for all Member States, and also the EU average). GDHI per capita growth data are not available for Ireland, Bulgaria and Romania.
[84] Pg 52, Joint Employment Report 2024, As adopted by the Council on 11th March 2024, European Commission, Directorate-General for Employment, Social Affairs and Inclusion, 2024.

Figure 02: Youth unemployment in EU Member States between Q4 2019 and Q2 2023

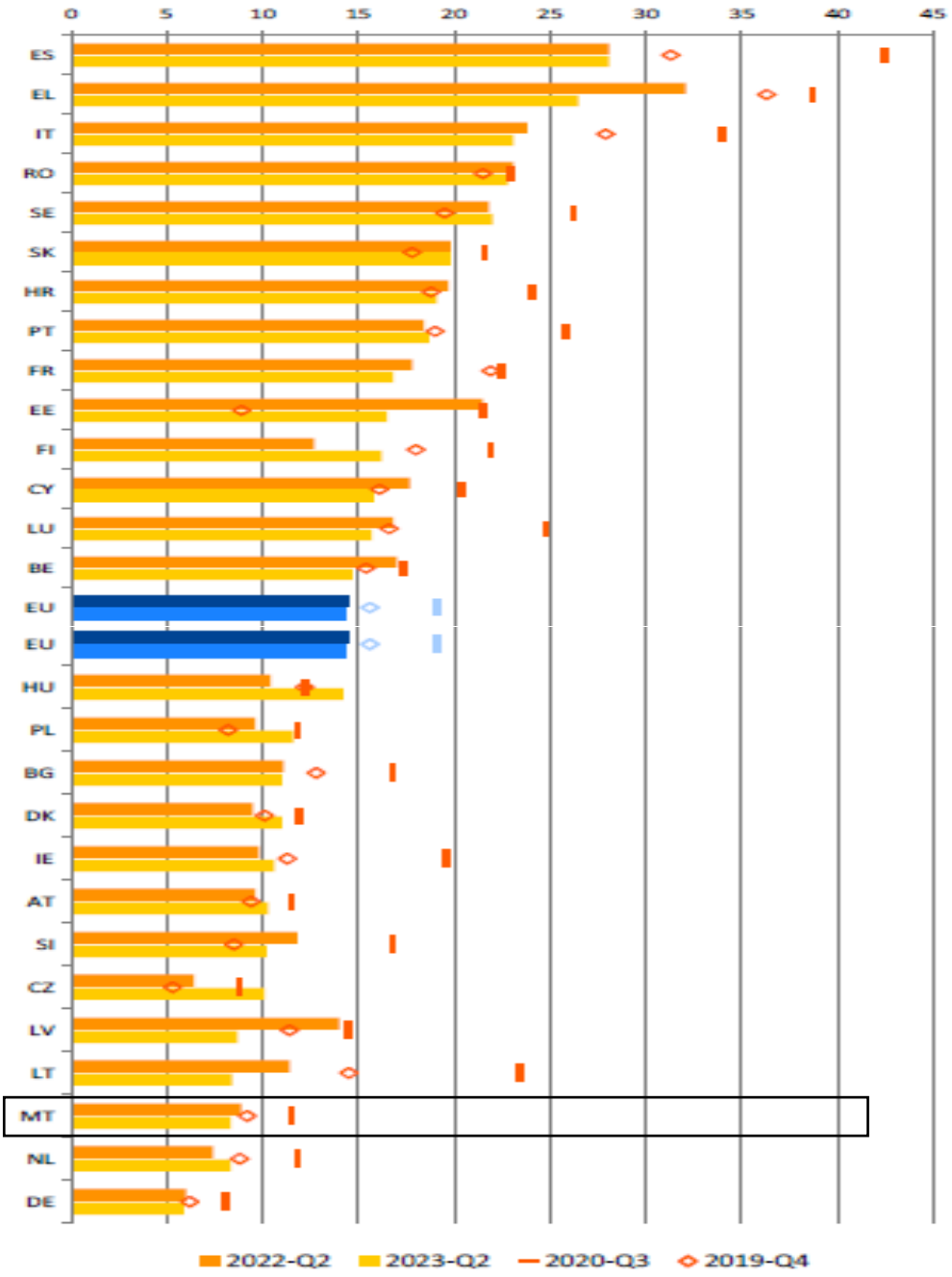


Figure 03 presents the participation rates in Active Labour Market Policy (ALMP) (categories 2 to 7) per 100 person, 2021 data. The figure shows that Malta's participation rate was significantly lower than the EU average.[85]

[85] Pg 77, Ibid.

Figure 03: Participation Rates Active Market Labour Policies in EU Member States per 100 persons

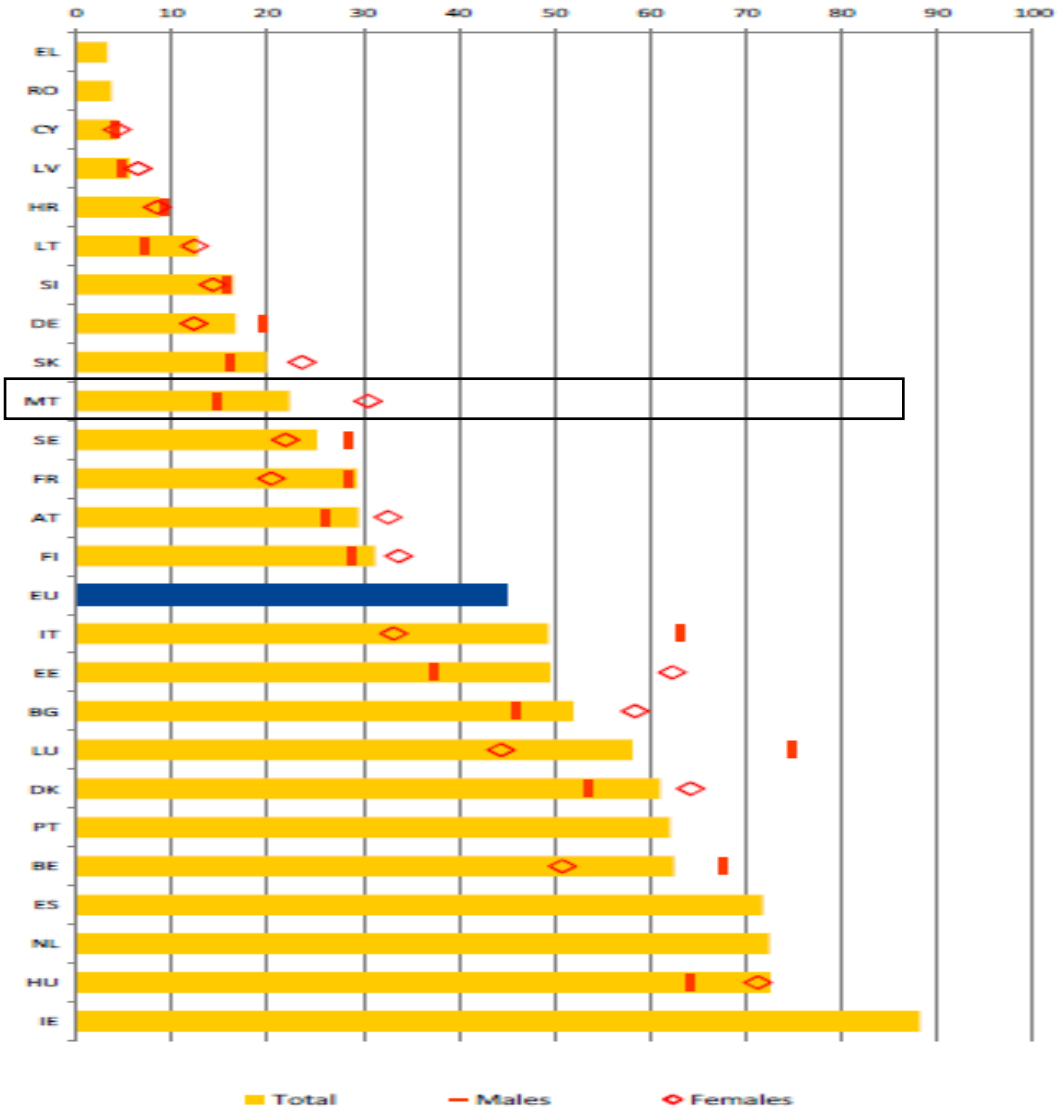
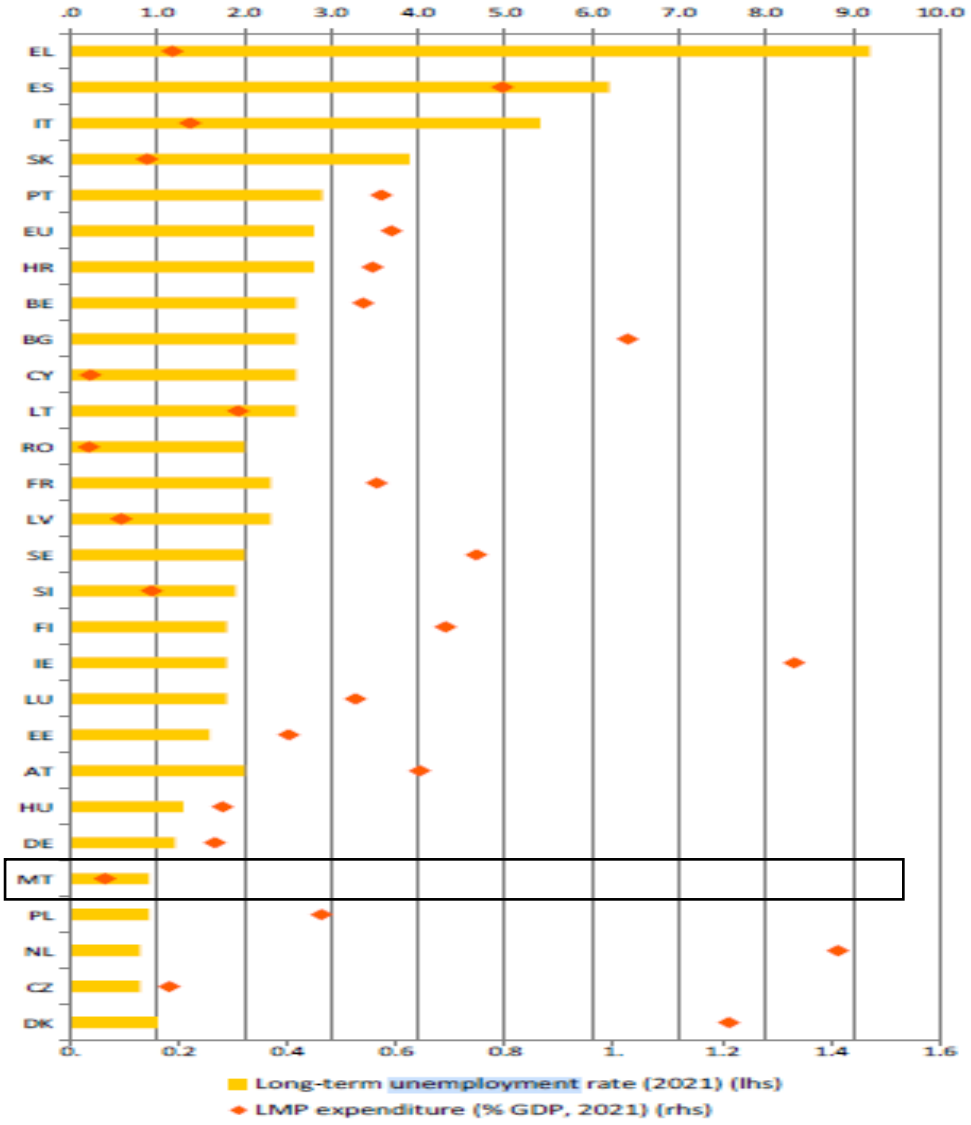


Figure 04 below displays spending on ALMP interventions (categories 2-7) as a percentage of GDP in 2021, alongside the long-term unemployment rate as a percentage of the labour force (aged 15-74) for the same year. The data reveal that Malta's expenditure on ALMP measures is slightly below 5% of GDP.[86]

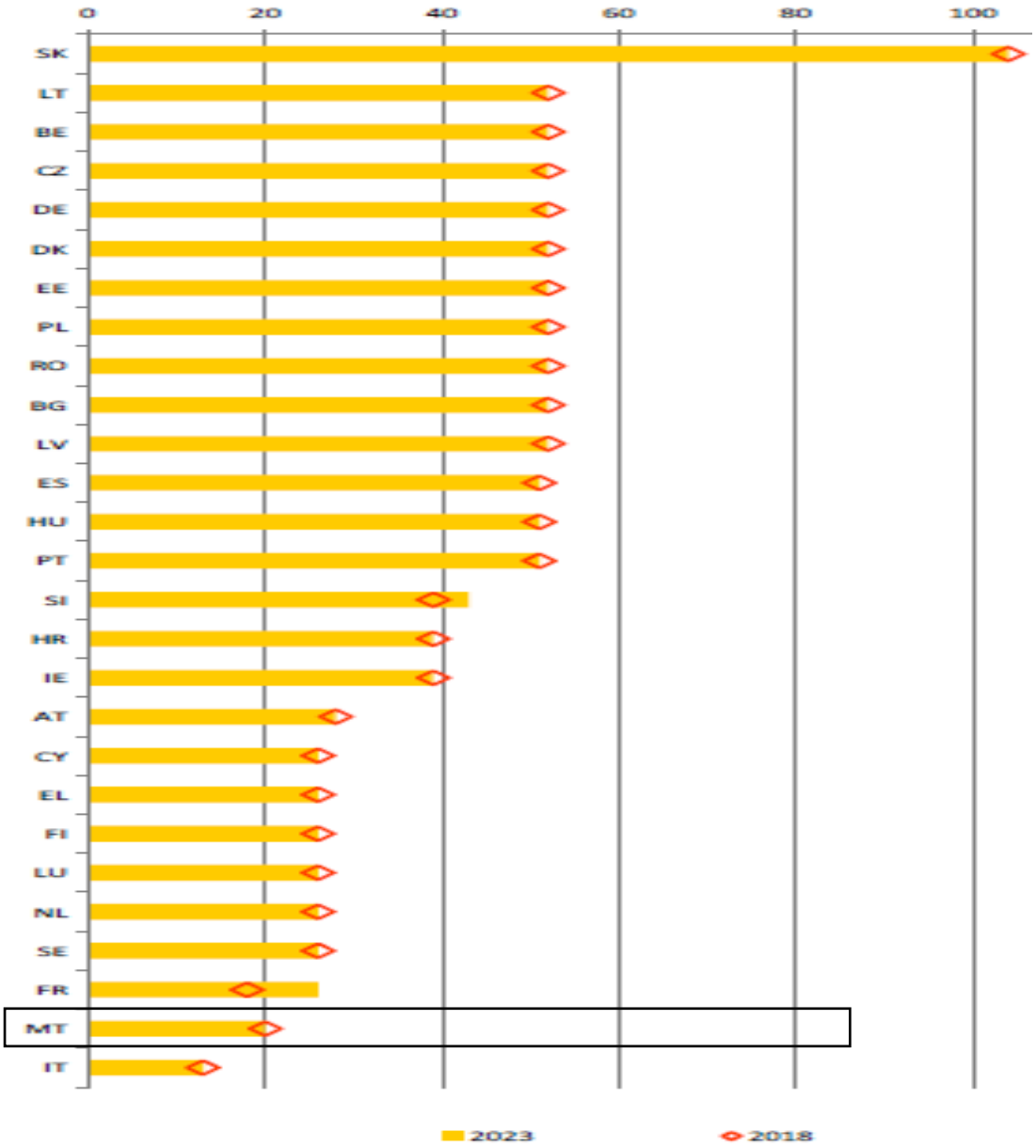
Figure 04: % of GDP Investment in Active Market Labour Policies in EU Member States



[86] Pg 76, Ibid.

Figure 05 reaffirms the conclusion from the MR, showing that Malta's statutory contribution rates have remained unchanged.[87]

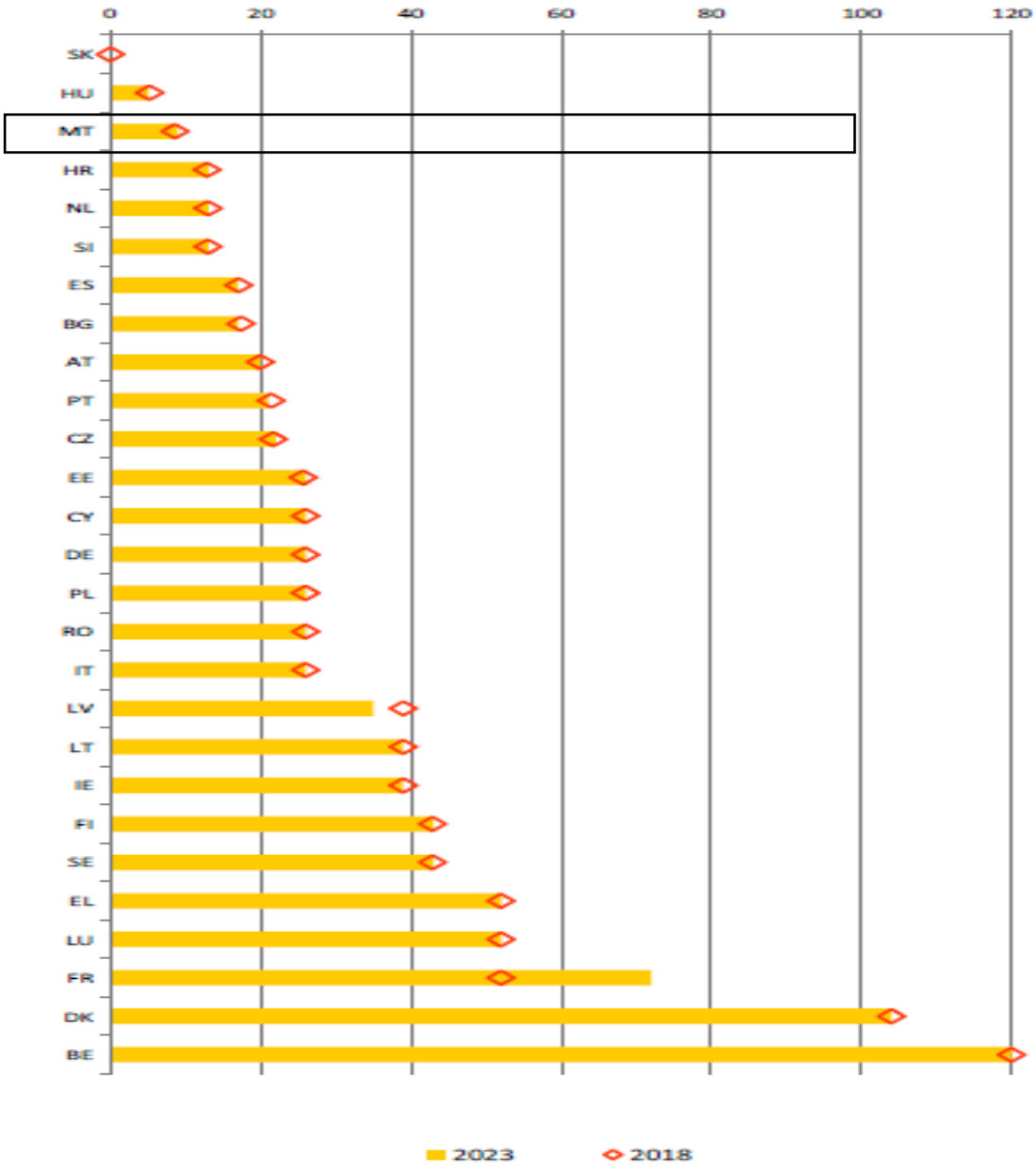
Figure 05: Changes between 2018 and 2023 in the Statutory Requirements for entitlement to Unemployment Benefits in EU Member States



[87] Pg 79, Ibid.

Figure 06 illustrates the maximum duration of unemployment benefits accessible with a one-year contributory work history, capped at six months. Malta ranks third in this comparison.[88]

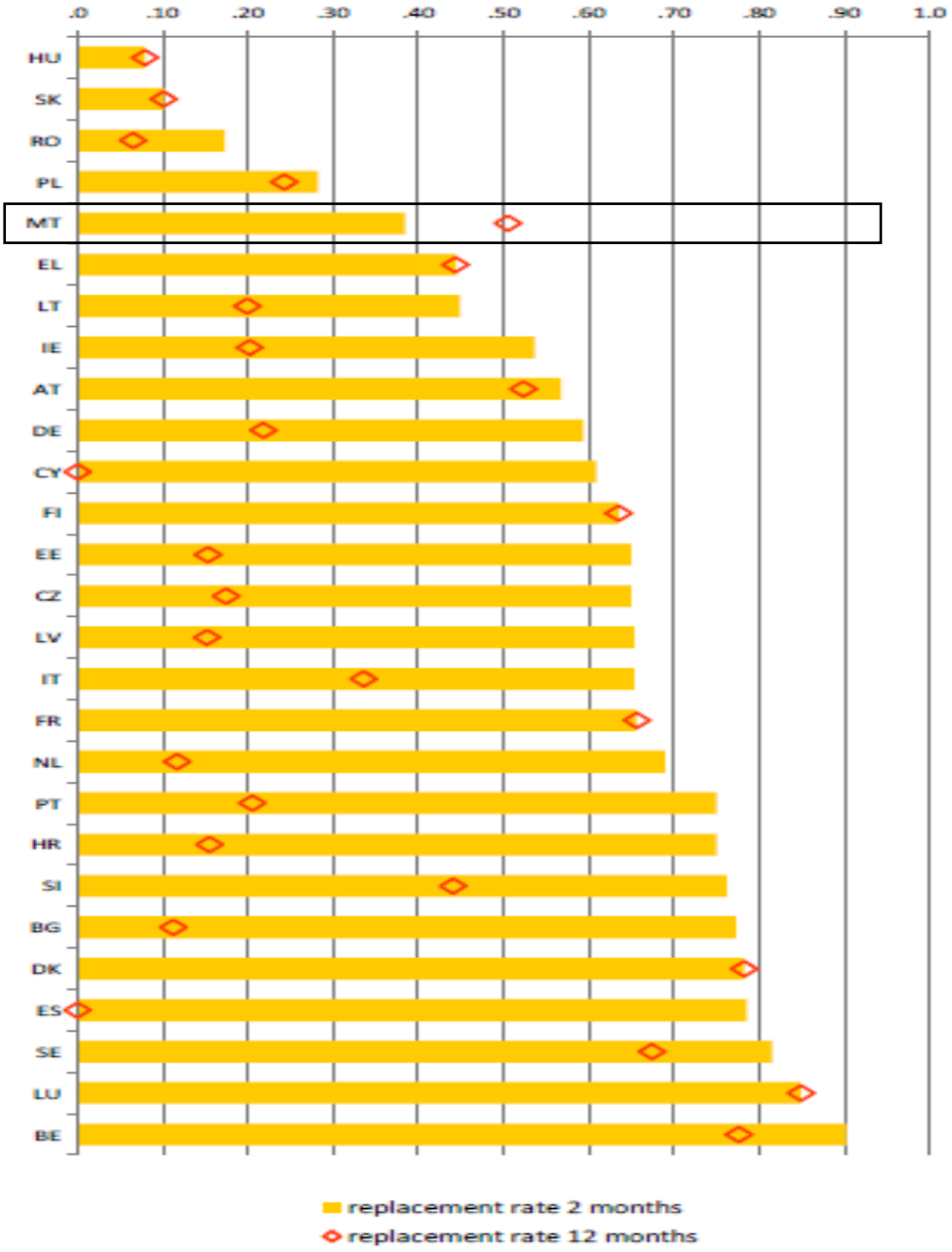
Figure 06: Maximum duration of benefits in a number of weeks with a one-year work history (weeks, 2023 and 2018)



[88] Pg 80, Ibid.

Figure 07 presents the NRR of unemployment assistance support (UAS) at 67% of the AW for the 2nd and 12th months of unemployment in 2022. In Malta, the NRR is approximately 39% in the 2nd, rising to 50% by the 12th month.[89]

Figure 07: NRR of unemployment benefits at 67% of AW in 2nd and 12th month of unemployment (2022)



[89] Ibid.

Comparison of Weekly and Annual Rates concerning Unemployment Benefits, National Minimum Wage, and Other Indicators

Appendix 08

	2021[90]		2024	
Type	**€ / week**	**€ / Annual**	**€ / week**	**€ / Annual**
Unemployment Benefit				
A Single Parent or a Married Person maintaining a Spouse who is not employed on a full-time basis	13.12	682.24	As discussed earlier. New earnings-based UB adequacy mechanism	
Any other person (including a single person)	€8.58	446.16		
Special Unemployment Benefit				
A Single Parent or a Married Person maintaining a Spouse who is not employed on a full-time basis	22.03	1,145.56	No SUB benefit is paid after the exhaustion of benefit days, but if a claimant is still registering for work, UA will be paid according to the household composition	
Any other person (including a single person)	14.54	756.08		
Social Assistance				
A household of one eligible member only	109.43	5,690.36	133.89	6,962.28
Every Other eligible member of the household	8.15	423.8	8.15	8.15
National Minimum Wage	181.08	9,416.16	213.54	11,104.08
175% of the National Minimum Wage			373.695	19,432.14
175% of the National Minimum Wage less Contribution (x 0.9) The (x0 0.9) reflects the net National Minimum wage following the 10% social security contribution that an employee has to pay on basic wage or salary.			336.33	17,488.93
Maximum weekly ceiling under new adequacy formula			201.20	10,462.4
Minimum weekly threshold under the new adequacy formula			115.26	5,993.52
Average Wage[91]	412.38	21,444	448.21	23,307[92]
Gross Median Wage		65.0%	392.31	20,400[93]

[90] https://legislation.mt/eli/ln/2021/331/eng.
[91] Labour Force Survey: Q4/2023, NR 048/2024 Release Date: 14th March 2024, National Statistics Office.
[92] eMail response to author by the National Statistics Office for official average wage data – 7th October 2024 (10:57 hrs).
[93] Ibid – concerning median wage.

Changes to the entitlement criteria and benefit value of contributory, non-contributory, and active labour market policies (ALMP) between 2022 and 2024

<table>
<tr><th rowspan="3">Benefit</th><th></th><th>2021</th><th>2022</th><th>2023</th><th>2024</th><th rowspan="3">Entitlement Criteria</th><th rowspan="3">Changes to Entitlement Criteria btw 2022 and 2024</th></tr>
<tr><th></th><th colspan="3">Daily Rate of Benefit</th><th>€</th></tr>
<tr><th></th><th>€</th><th>€</th><th>€</th><th></th></tr>
<tr><td colspan="8">Contributory</td></tr>
<tr><td rowspan="2">Unemployment Benefit</td><td>Single / Married person maintaining a spouse not in F/T employment</td><td>13.12</td><td>13.25</td><td>13.97</td><td rowspan="2"><table><tr><th>Unemployed</th><th>Earnings / Salary</th></tr><tr><td>First six weeks</td><td>Starts at 60%</td></tr><tr><td>Following 10 weeks</td><td>55%</td></tr><tr><td>Last 10 weeks</td><td>Falls to 50%</td></tr></table><table><tr><th>Rate</th><th>Calculation</th><th>Daily / €</th></tr><tr><td>Maximum</td><td>175% of NMW</td><td>33.63</td></tr><tr><td>Minimum</td><td>100% of NMW</td><td>19.21</td></tr></table></td><td rowspan="2">Class I / II contributions:

(a) Paid a minimum of 50 contributions, AND
(b) A minimum of 20 paid or credited contributions during the last 2 consecutive calendar years before applying for an Unemployment Benefit, and AND
(c) One hundred fifty-six contributions paid to qualify for Unemployment Benefit's full 156 days entitlement.

Period of entitlement: Maximum of 6 months.</td><td rowspan="2">None</td></tr>
<tr><td>Any other Member</td><td>8.58</td><td>8.66</td><td>9.13</td></tr>
</table>

Hybrid:							
Special Unemployment Benefit	Single / Married person maintaining a spouse not in F/T employment	22.03	22.25	23.45	Flat rate. Adjusted by annual COLA. Following the end of 6 months will be passported to the Unemployment Assistance.	Class I / II contributions: (a) Head of household, **AND** (b) Assessed to be entitled to Unemployment Assistance, **AND** (c) First Contribution Test: Paid a minimum of 50 contributions, **AND** (d) Second Contribution Test: A minimum of 20 paid or credited contributions during the last 2 consecutive calendar years before applying for an Unemployment Benefit **AND** (e) One hundred fifty-six contributions paid to qualify for Unemployment Benefit's full 156 days entitlement or proportion.	None
	Any other Member	14.54	14.68	15.47			
Non-Contributory							
Means Tested		**Weekly rate - €**					
Unemployment Assistance	Head of Household	109.43	111.18	121.08	133.89	Full increase of the Cost of Living – Introduced as of 1st January 2022.	Yes
	Other member	8.15	8.15	8.15	8.15		
Subsidiary Unemployment Assistance	Head of Household	109.43	111.18	121.08	133.89		
	Other member	8.15	8.15	8.15	8.15		

<table>
<tr><td rowspan="2">Social Assistance</td><td>Head of Household</td><td>109.43</td><td>111.18</td><td>121.08</td><td>133.89</td><td rowspan="2"></td><td rowspan="2"></td></tr>
<tr><td>Other member</td><td>8.15</td><td>8.15</td><td>8.15</td><td>8.15</td></tr>
<tr><td colspan="8">Active Labour Market</td></tr>
<tr><td>In-Work Benefit</td><td></td><td></td><td></td><td></td><td>The In Work Benefit Scheme is awarded to parents with children under 23.

Couples working are to satisfy the threshold of €50,000 income, while couples with one member working and single parents are to satisfy the threshold of €35,000 income.[94]</td><td>Recipients were automatically selected based on their registered income, eliminating the need for a formal application. Consequently, an additional 17,365 individuals became eligible for the In-Work Benefit in 2022.

In-Work Supplement: One-time payment of €250 paid to In-Work Benefit recipients.</td><td>Yes</td></tr>
<tr><td>Tapering of Benefits</td><td></td><td></td><td></td><td></td><td>The tapering of benefit is reduced over three years as shown in the Table below.

<table><tr><th>Year</th><th>Benefit received</th></tr><tr><td>1</td><td>75%</td></tr><tr><td>2</td><td>55%</td></tr><tr><td>3</td><td>35%</td></tr></table></td><td>(a) Entitlement is awarded should the applicant receive Social Assistance / Unemployment Assistance / SUB FOR
(b) 1 year in the last 3 years AND engages in employment or self-employment AND

The percentage rates shown above reflect the 10% increase for each year introduced by the government in 2021.

Single parents engaging in employment or self-employment do not need to</td><td></td></tr>
</table>

[94] url refers:https://socialsecurity.gov.mt/en/information-and-applications-for-benefits-and-services/work-incentives-and-unemployment-benefits/in-work-benefit/.

						satisfy the 1 year in the last 3 years condition for eligibility purposes. The reference to single parents does not apply to married parents.	