Strategic Review on the Adequacy, Sustainability, and Solidarity of Malta's Pension System

Mandated by Article 64B of the Social Security Act

Pension Strategy Group Report 2025

Executive Summary

The 2025 Strategic Review on the Adequacy, Sustainability, and Solidarity of Malta's Pension System was prepared by the Pension Strategy Group (PSG) in fulfilment of Article 64B of the Social Security Act, which requires a comprehensive review of the pension system every five years to ensure that it remains adequate, sustainable, and socially equitable.

This Strategic document, 2025, is the fourth strategic review report to be submitted to the House of Representatives. The other three strategic reviews were tabled at the HoR in 2010, 2015 and 2020. The 2025 Review builds upon the analytical framework developed in the 2020 Strategic Review and the subsequent 2021–2027 Pension Action Plan. It assesses the evolving demographic, labour market, and fiscal conditions underpinning Malta's pension architecture and poses forward-looking questions to the public, in order to strengthen the system over the period 2025 to 2070.

The PSG operates as an independent technical body composed of experts drawn from the Ministry for Social Policy and Children's Rights (including the Department of Social Security), the Economic Policy Department, the Central Bank of Malta, and academia. Its work relies on demographic projections derived from EUROPOP 2023, labour market simulations, and the World Bank PROST model to analyse the pension system's adequacy and fiscal trajectory under both current and reform scenarios.

As the report outlines, while the pension system has demonstrated resilience over recent decades, demographic and socioeconomic trends are intensifying the pressures on its long-term sustainability. Malta's total fertility rate has fallen to 1.06 in 2023, well below replacement level, while life expectancy continues to increase, with men and women now expected to live beyond 83 and 87 years respectively. The share of persons aged 65 and over is forecast to rise from 19.3% in 2022 to 33.6% by 2070, and the working-age population will decline from 63% to 51% of the total population. This shift will double the old-age dependency ratio from 30% to 65%, meaning that fewer workers will be supporting each pensioner.

The labour market, while already strong and dynamic, continues to evolve in ways that offer opportunities to address existing structural imbalances linked to demographic change. Over the past decade, total contributors to the social security system rose from 151,000 in 2008 to 283,000 in 2023—clear evidence of vibrant employment growth, better compliance, and the positive contribution of inward migration. In this context, demographic variability—highlighted by differing EUROSTAT population projections, particularly regarding migration flows—remains an important consideration. Its significance lies in the fact that the macroeconomic assumptions underpinning the 2024 Ageing Working Group report (and the updated Baseline) recognise sustained net migration as a key enabler of increased labour input and long-term output growth.

In addition, evolving wage structures—marked by a rising share of compensation in the form of non-basic income such as bonuses and allowances—present an opportunity to enhance the contributory framework. Addressing these developments can help strengthen the revenue base and promote greater fairness and alignment in future pension entitlements.

The period following the 2020 Strategic Review witnessed several important reforms under the 2021–2027 Pension Action Plan. The Government introduced incremental increases to pension

and supplementary allowances, raised the tax-free thresholds for pension income, extended contribution credits for caregivers and individuals with disabilities, and provided incentives for voluntary and occupational pensions. Adjustments were also made to the 70/30 pension indexation mechanism, maximum pensionable income thresholds, and child-rearing credits. These measures collectively improved pension adequacy and reduced poverty risks among older households. While positively the main disparities between pre- and post-1962 pension cohorts are being addressed, disparities between men and women, and across income groups need to be addressed further. The PSG's 2025 Review therefore focuses on achieving a more comprehensive balance between adequacy, fiscal stability, and equity.

Prior to outlining the document's recommendations, the report's no reform baseline is compared to the baselines reported in other strategic review documents. In reference to table 1, the 2025 projections for a 'no reform' scenario with regards to pension adequacy and pension deficit as a percentage of GDP are at 48.2% and 4.1%, respectively.

	2010 SR (2060)	2015 SR (2060)	2020 SR (2070)	2025 SR (2070)
Adequacy	46.0%	51.7%	55.0%	48.2%
Pension Deficit to GDP ratio	-5.8%	-4.8%	-3.0%	-4.1%

Table 1: 2025 No Reform scenario compared to the 2010, 2015 and 2020 Strategic Reviews.

As reported in figures 1 and 2, in terms of revenue and expenditure values making up the projected pension deficit of 4.1%, revenue is projected to drop from 7.6% to around 7%. Building on the same premise, expenditure is projected to increase from 6.2% to around 11.1%. When compared to the 2020 review report's no-reform baseline scenario, the 2070 revenue figure is assumed to be the same at 7%. Contrastingly, the 2070 expenditure figure is expected to be higher than that reported 2020 PSG figure (11.1% vs. 10%). In this regard, it is also important to highlight the impact of the crises that occurred during the intertemporal period (2020-2025) on the applied modelling assumptions.

Furthermore, whilst the deficit of 4.1% is higher than previously estimated in the 2020-SR, one has to highlight that the system's break-even point, i.e. the year at which the annual net balance (revenue less expenditure) is nil, is increased by approximately three years. Specifically, whilst the 2020-SR reports that the pension system's break-even point is around 2051, the 2025-SR's is around 2054. In sum, the system's long-term fiscal sustainability has been augmented.

Going forward, in reference to reported in figures 3 and 4, in terms of the drop in the adequacy from 55% to 48.2%, this is also observed when comparing the 2021 and 2024 Ageing Working Group reports. Whilst the former report projected an increase in the gross replacement rate at retirement of 8.7% (from 48.4% in 2019 to 57.1% in 2070), the latter reported a decline of 2.2% (from 51.8% to 49.6%).

Similarly to the argument presented for the increased deficit, it is vitally important to note that if one had had to compare the 2025 ARR figure of both reports, whilst the 2025-SR figure projected value is approximately 50%, the 2020-SR projected value for 2025 hovers around the 45%-mark. Thus, whilst the 2070 value is lower in this round, the pension system's adequacy element is still performing much better (around 5%) than previously forecasted.

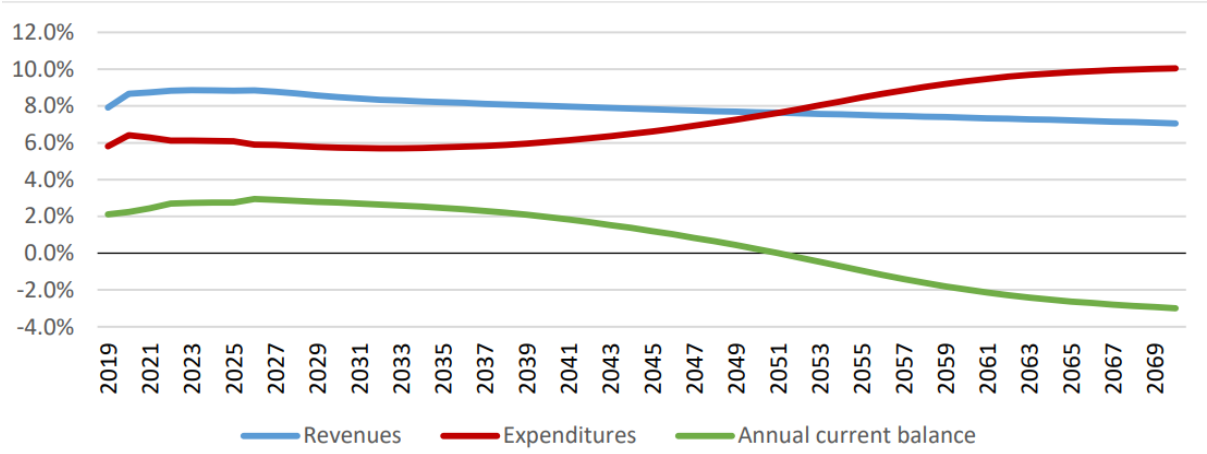

Figure 1: 2020 Strategy Review: Baseline 'No Reform' Model Impact on the Pension System Deficit to GDP

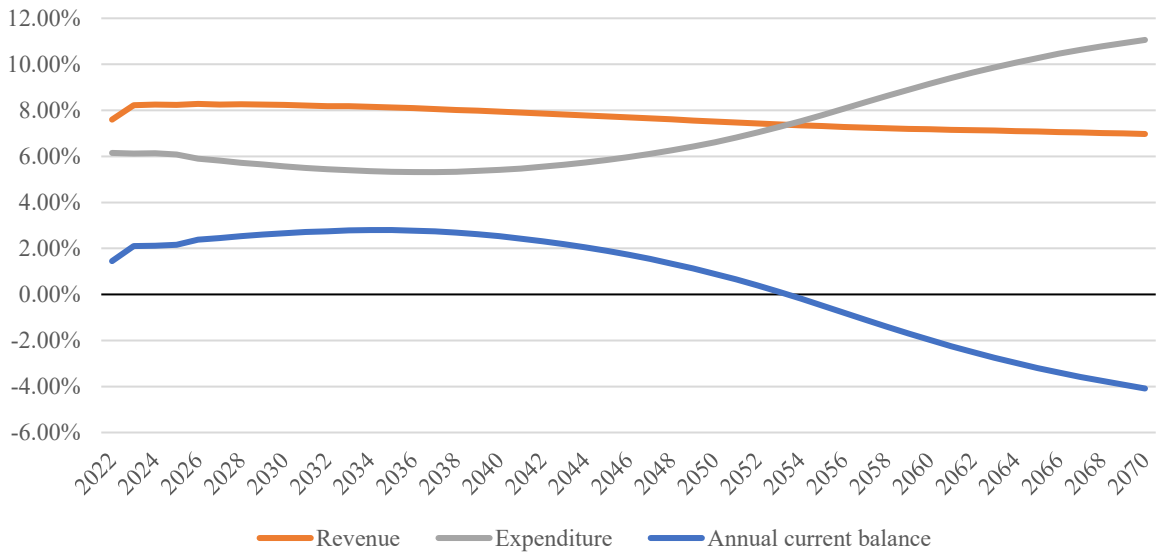

Figure 2: 2025 Strategy Review: Baseline 'No Reform' Model Impact on the Pension System Deficit to GDP

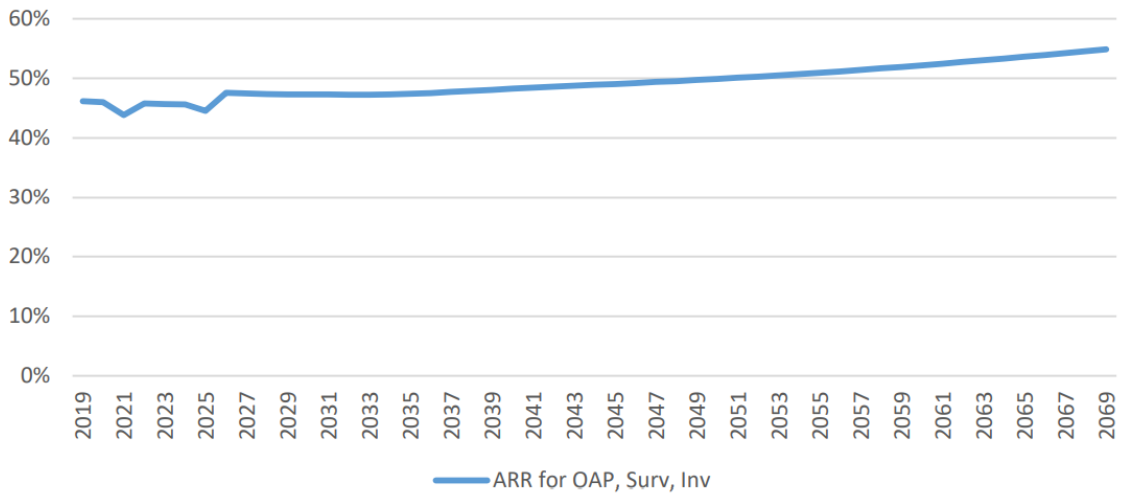

Figure 3: 2020 Strategy Review: Baseline 'No Reform' Model Impact on the adequacy of the pension system.

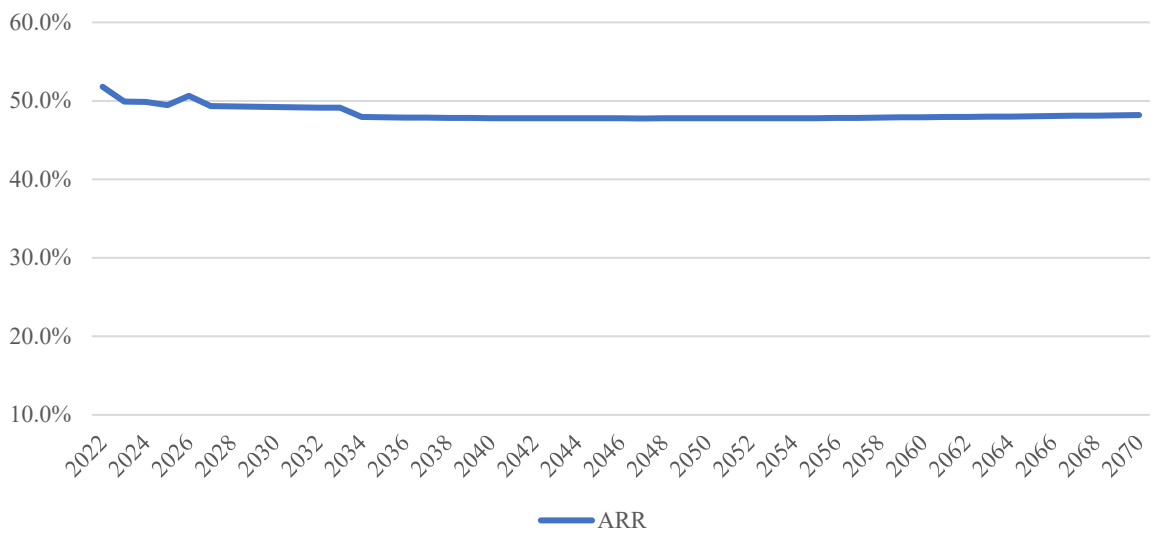

Figure 4: 2025 Strategy Review: Baseline 'No Reform' Model Impact on the adequacy of the pension system.

Thus, whilst the PSG concludes that Malta's pension system is fundamentally sound, it is also increasingly exposed to demographic and structural pressures. Fiscal projections indicate that, absent reform, pension expenditure as a share of GDP will continue to rise gradually, placing additional strain on public finances. At the same time, inequities persist due to the prevalence of non-pensionable income, irregular contribution histories, and the gendered distribution of lifetime earnings.

The Group also re-emphasises that major pension reforms should be communicated at least fifteen years before implementation to allow adequate adjustment by future beneficiaries. Migration policy and labour participation remain integral to pension sustainability, as foreign workers constitute a growing share of contributors and play a crucial role in maintaining the system's balance.

In conclusion, the 2025 Strategic Review affirms that Malta's pension system continues to offer a stable and reliable foundation for income security in old age but must adapt to emerging demographic, fiscal, and social realities.

Abbreviations

APRR	Average Pension Replacement Rate
2004 PWG	2004 Pensions Working Group
2010 PWG	2010 Pensions Working Group
2015 PWG	2015 Pensions Working Group
2020 PWG	2020 Pensions Working Group
PAP	2021-2027 Pension Action Plan
ADCL	Additional Cost of Living (Benefit)
ASFR	Age Specific Fertility Rate
ASFA	Association of Superannuation Funds of Australia
ARP/AROPE	At-risk-of-poverty
APRR	Average Pension Replacement Rate
BNRM	Baseline No Reform Model
CBS	Consensual Budget Standard
COLA	Cost of Living Adjustment
CLBO	Cost of living Bonus
DCB	Deficient Contributory Bonus
DSS	Department of Social Security
DCA	Disabled child Allowance
ESRP	Early Survivors Retirement Pension
EOADR	Economic Old-Age Dependency Ratio
EPD	Economic Policy Department
ERS	Equity Release Scheme
ECB	European Central Bank
ECDN	European Consumer Debt Network
EEA	European Economic Area
GWU	General Workers Union
GDP	Gross Domestic Product
GNMP	Guaranteed National Minimum Pension
HoR	House of Representatives
HFCS	Household Finance & Consumption Survey
INMP	Increased National Minimum Pension
IRP	Increased Retirement Pension
ISA	Individual Savings Account
IP	Invalidity Pension
KEI	Key Employment Initiative
LFS	Labour Force Survey
LMNT	Labour Market Needs Test
LCA	Low cost but acceptable
MCESD	Malta Council for Economic and Social Development

MFSA	Malta Financial Services Authority
MTCA	Malta Tax and Customs Authority
MPI	Maximum Pensionable Income
MEBDL	Minimum Essential Budget for Decent Living (CARITAS)
MIHL	Minimum Income for Healthy Living
MIS	Minimum Income Standards
MSPC	Ministry for Social Policy and Children's Rights
NI	National Insurance (contributory benefits system)
Fund	National Insurance Contribution Fund
NLI	National Living Income
NMP	National Minimum Pension
NMW	National Minimum Wage
NMWP	National Minimum Widows Pension
NRP	National Reform Programme
NSO	National Statistics Office
OADR	Old-Age Dependency Ratio
OECD/INFE	Organisation for economic co-operation & development's international network on financial education
PAYG	Pay-As-You-Go
PO	Pension Organisations
PROST	Pension Reform Simulation Tools Kit (World Bank)
PLSA	Pensions & Lifetime Savings Association
PSG or Strategy Group	Pensions Strategy Group
PRS	Personal/Private Retirement Scheme
RP	Retirement Pension
SCG	Senior Citizen Grant
6MBO	Six Monthly Bonus
SOL	Skilled Occupation List
SME	Small and Medium Enterprise
SSA	Social Security Act
SSCBE	Social Security Contribution Base Erosion
SSC 1	Social Security Contribution Class 1
SSC 2	Social Security Contribution Class 2
SSC	Social Security Contributions
SPBO	Special Weekly Bonus
SEI	Specialist Employment Initiative
NACE	Statistical Classification of Economic Activities
SPRA	Statutory Pension Retirement Age
SPA	Supplementary Allowance
SILC	Survey on Income and Living Conditions
SPSSA	Survivors' Pension Social Security Act

SRP	Survivors Retirement Pension
TRR	Theoretical Replacement Rate
TCN	Third Country National
TFR	Total Fertility Rate
TTP	Two Thirds Pension
VOPS	Voluntary Occupational Pension Scheme

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Introduction

Legislative timeline and invitation for feedback

In 2004, the Pension Working Group submitted recommendations to the government regarding pension reform and outlined the significant role that the pension system plays within the broader macroeconomic framework. Establishing a formal mechanism to periodically review the system's adequacy, sustainability, and solidarity was deemed essential for effective policy governance and decision-making.

Upon initiating the reforms in March 2006, the government announced its intention to implement a legal provision mandating a review of the pension system every five years. Consequently, the Social Security Act was amended to include the following provision:

> "*64B. (1) The Minister shall within intervals not exceeding the period of five years lay on the Table of the House a report reviewing the workings of Part V of this Act within the previous five years together with recommendations, if any, with a view of achieving further adequacy, sustainability, and social solidarity:*
>
> *Provided that the first report shall not be submitted later than the 31st December 2010, and subsequent reports shall be submitted at intervals of not more than five years, as provided for in this sub-article, after such date.*
>
> *(2) The report mentioned in sub-article (1) shall be discussed by the Social Affairs Committee of the House or any other committee substituting the same.*"

In 2017 Article 64(B) 1 of the Social Security Act was amended to include the part shown in italics: "*...achieving further adequacy, sustainability and social solidarity in such manner that a stable proportion is kept between the contribution periods as referred to in article 53 and the periods of time during which it is expected that the pension will be paid in accordance with Part V of this Act:*"

The government announced that the inaugural strategic review would be conducted by a team of technical experts and concluded by the year-end of 2010. This initial review was subsequently submitted to the Social Affairs Committee of the House of Representatives in December 2010. Following this submission, a public consultation ensued, culminating in the presentation of a final report to the government in March 2012.

Subsequently, the second strategic review was slated for completion by the end of 2015. In June 2015, the government released the strategic review for public consultation, followed by the presentation of a final report to the government in September 2015. The findings and outcomes of the 2015 strategic review were formally presented to the Social Affairs Committee by the Chair of the Pension Strategy Group. In December 2020, the Ministry for Social Justice and Solidarity, the Family, and Children's Rights received the Strategic Review report from the Chairperson of the Pension Strategy Group.

Similarly, the next strategic review report is to be submitted to the HoR not later than **31st December 2025.**

Going forward, one should acknowledge that **the Pension Strategy Group, comprising government and external experts, functions as an autonomous technical body distinct from the government. The analysis and deliberations outlined in the report are exclusively the perspectives of the Group.**

The Ministry, representing the Group, is hereby releasing the strategic review report to the public for consultation. The Group eagerly anticipates engaging in discussions regarding the ongoing development of our pension system to uphold adequacy, sustainability, and solidarity. We invite feedback on the analysis presented in this Strategic Review document and suggestions on additional measures the Government can undertake to ensure the sustainability and adequacy of the Maltese pension system.

To facilitate & streamline public discussions, the Group poses the following fourteen questions:

1. Should cost-of-living adjustments be regularly reassessed using a new framework, and if so, what type?
2. Should pension adequacy be measured using full household income and living circumstances?
3. Should an investment vehicle for pension contributions be introduced to strengthen long-term returns?
4. Should limitations on non-basic wages be considered to enhance fairness and predictability in pension outcomes?
5. Would analysing full contribution records help identify gaps that should guide reform?
6. Given the positive 2026 Budget Measure widening the eligibility for child-rearing contribution credits, should further attention be given to how child-rearing affects lifetime income and pensions?
7. Should current tax incentives for private pensions be extended?
8. Given that the Government plans to proceed with an auto-enrolment private pension system, what considerations should be taken into account to ensure that the system effectively strengthens retirement savings and reduces long-term pressure on the state pension?
9. Should government prioritize the harmonization of the pre-62 and post-62 maximum pensionable income levels?
10. Should the Guaranteed National Minimum Pension Level be somehow linked to the at-risk-of-poverty level?
11. Should the current distinction between single and married GNML rates be widened further?
12. Should the 42-year contribution requirement be revisited to ensure it remains fair and achievable?
13. Should study credits be extended to part-time students to better fill contribution gaps?
14. Should a long-term strategic framework for continuous pension evaluation and reform be developed?

Guidance on providing feedback can be found on page 176 of this report.

During the consultation period, the Pension Strategy Group will host discussion sessions with relevant bodies, civil society representatives, and the general public. Upon the conclusion of the consultation period, the Strategic Review will evaluate the feedback received and present a final report to the Government for its deliberation.

The 2020 Pension Strategic Review Report

The 2020 PSG strategy report unveiled the third strategic review, which was presented to the Government and submitted to the SAC of the HoR by the end of 2020. Established in mid-2017, the 2020 PSG comprised government and external experts. Terms of reference included:

a) Assessing the adequacy, sustainability, and solidarity of the pension system, focusing on adapting to societal and labour market changes, ensuring fairness between contributions and benefits across generations, diversifying income sources beyond pensions, and addressing challenges of current pensioners.

b) Reviewing past pension reform efforts, particularly the 2015 strategic review.

c) Modelling various reform scenarios for short, medium, and long-term strategies.

d) Presenting recommendations for short, medium, and long-term improvements to the pension system.

e) Evaluating the impact of proposed reforms.

The Strategy Group employed a methodology involving the development of working papers on key issues such as pensioner income and poverty risk, policies for older worker employment, principles of the Maltese pension system, social security contributions coverage, intergenerational balance, ageing society's impact on the workforce, minimum pensions evolution, multiple employers' effect on employees, voluntary pension schemes, fertility's relation to government policies, and divorce's influence on pensions.

Finally, it is pertinent to underscore that the 2020 Strategic Review did not proffer recommendations; rather, the document presented an analysis designed to stimulate public consultation and feedback.

The 2021-2027 Pension Action Plan

Due to the emphasis placed by the Government on its strategy for exiting the pandemic, especially during the lead-up to the 2022 Budget, the recommendations put forth by the 2020 PSG were momentarily sidelined. However, the significance accorded to these recommendations is apparent as the Government has integrated several of them into its agenda up to 2027. Nonetheless, the Government did implement other crucial measures during the post-pandemic period, primarily in 2021 and 2022.

Kicking off the process, the consultation stage took place between 4th January and 30th March 2021. The PSG reviewed all consultation feedback received after 30th March 2021. Thirty (30) stakeholders were directly invited by the PSG of which nineteen (19) invitations were accepted, including the Malta Council for Economic and Social Development. Furthermore, thirty-three written submissions were presented to the PSG. During the consultation process, four (4) main areas were highlighted:

1. The feedback presented was generally positive regarding the five policy drivers for further pension reform and regarding the considerations presented within each policy driver.
2. Current pensioners and their representative bodies argued that the 'positive' reforms introduced regarding 'future pensioners' (that is persons born on and after 1962) are to be applied for current pensioners.
3. Scenario modelling utilizing population projections (EUROPOP 2019) and AWG macro-economic assumptions, reports the highest future (2070) adequacy rates and lowest pension system deficit to GDP ratio.
4. A high degree of feedback in relation to retirement and taxation.

The effective timeline of events is presented in figure 5 below.

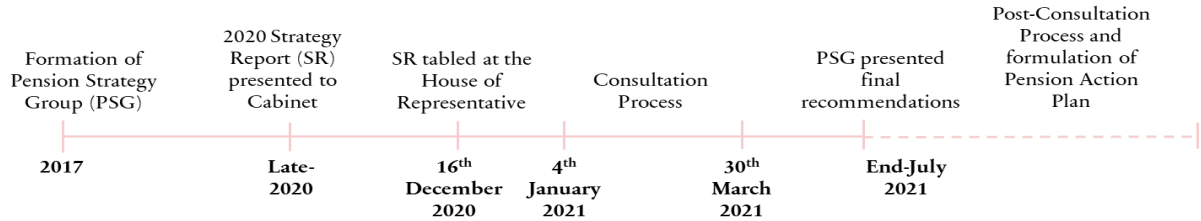


Figure 5: Timeline of events for the 2020 PSG review & 2021-2027 Pension Action Plan.

An action plan has been devised detailing the various measures that the Government has either implemented since 2021, announced plans to implement, or will enact by 2027. The Action Plan divides measures in terms of type and implementation status. Specifically, the measures are disaggregated as follows:

1. Adequacy measures that are being implemented;
2. Adequacy measures planned to be implemented;
3. Sustainability measures that are being implemented;
4. Sustainability measures that are planned to be implemented and;
5. Measures that address both sustainability and adequacy are planned to be implemented.

Collectively, these measures aim to tackle the policy drivers identified in the SR 2020 report, striving to rectify current discrepancies among pensioner groups and foster solidarity through sustainable and adequate interventions, taking into consideration the unique circumstances of our nation and our pension system. In reference to Annex 1, a detailed description of the measures, including their linkage to the 2015 SR report and national legislation, implementation status, adopted measures and their respective quantitative and/or qualitative assessment, is presented.

Other reform measures to the pension system introduced by the Government since 2021 outside the Strategic Review

Table 2 below presents reforms to the pension system that the Government introduced since 2022 outside of the strategic review process.

Budget 2022	Pensioners, over and above the COLA, will receive a weekly increase of €3.25 in their pension income.
	Increased supplementary allowance, increasing from €3.47 to €6.50 and €4.10 to €5.00 per week for married and single persons, respectively.
	Ceiling for income earned by pensioners which will be tax exempt is increased to €14,318.
	Service pensioners who are over 72 years of age, or who will reach the age of 72 during the year, will benefit from a further improvement in their social security pension, as the portion commuted into a gratuity (€200) will not be taken into consideration at all in their pension calculation.
	Persons who are 63 years of age and over and who do not qualify for a contributory pension are to receive an additional €150 bonus – thus persons who paid less than 5 years of contributions will receive a bonus of €400; and those who paid over 5 years will receive a bonus of €500.
	Persons who receive an inheritance and who have been receiving a non-contributory pension for at least five years will have their capital limit increased from €23,300 to €50,000 for married persons and from €14,000 to €30,000 for single persons. Donations up to a maximum of €20,000 granted to one's children in a formal and legal manner, including donations of the airspace overlying property owned by the pensioner, will be excluded from the calculation of the pensioner's capital.
	1,200 persons who paid at least ten years' contributions but are not yet entitled to a pension as they did not pay any contributions from January 1979 onwards. These individuals became eligible for the equivalent of the minimum two-thirds pension rate.
	Persons who, according to official records, were in employment before the Employment and Training Corporation was set up in 1990, but no records are available as to any social security contributions paid during their employment, will be given the opportunity to pay up to five years' missing contributions for the periods during which, according to official records, they were employed.
	Persons who have reached 59 years of age, have missing social security contributions and receive an invalidity pension, will also be entitled to pay up to five years' outstanding contributions.
	As from January 2022, the removal of legal restrictions affecting persons who suffer from a disability due to an injury on duty and who keep on working, to the effect that, as long as they continue working and receiving the injury pension, no deductions will be applied to any future benefits relating to sickness, unemployment or injury on duty for which they might be eligible.
	Over a period of five years starting from the coming year, pension income will gradually no longer be considered as part of the taxable income.
Budget 2023	Pensioners, over and above the COLA, will receive a weekly increase of €2.60 in their pension income.
	Ceiling for income earned by pensioners which will be tax exempt is increased to €14,968.
	Service pensioners who are over 72 years of age, or who will reach the age of 72 during the year, will benefit from a further improvement in their social security pension, as the portion commuted into a gratuity (€200) will not be taken into consideration at all in their pension calculation.
	Contribution credits for persons with mental health issues: provision of two years of contribution credits to whoever has not worked for a period of time between the age of 18 and the age of 30 and is certified to have received, during that time, regular treatment from a psychiatrist who is or was a consultant employed by the Government.
	Persons who are 63 years of age and over and who do not qualify for a contributory pension are to receive an additional €50 bonus – thus persons who paid less than 5 years of contributions will receive a bonus of €450; and those who paid over 5 years will receive a bonus of €550.

	Persons who qualify for the Increased Carers Allowance or the Carers Allowance to date qualify for contribution credits that count towards their pension for the period they are receiving any of these allowances, provided that prior to this time, they would have paid an average of 20 social security contributions per year since reaching their 18th birthday. The average has been lowered to 15 social security contributions per year, and the opportunity to pay up to 5 years of missing social security contributions when they turn 59.
	Adjustment to the tax exemption for active pensioners (pensioners who earn additional income on top of their pension), increasing the 20% threshold to 40% (gradual phasing over 5 years, reaching 100% by 2026).
	Disciplinary Corps who continue to give their service after they have given 25 years of service. This initiative will give members of the Disciplinary Corps the opportunity to improve their pension by 23% after four years of additional service.
	Introduction of a service pension for five years to the widows of Disciplinary Corps officers who pass away before they complete 25 years of service or during the period between the end of service and retirement age.
Budget 2024	Pensioners, over and above the COLA, will receive a weekly increase of €2.50 in their pension income.
	Uniform mechanism of pension adjustments, whereby each year pensions increase by a percentage 70% of which is based on the increase in wages and 30% on the increase in inflation.
	Uniform Maximum Pensionable Income (MPI): pensioners who were born before 1962 and whose current salary had they still been working would exceed their Maximum Pensionable Income, will be receiving an additional increase in their pension which varies according to the salary.
	Widow/er's Pension will no longer be taxable for widows and widowers under the age of 61.
	Service pensioners who are over 72 years of age, or who will reach the age of 72 during the year, will benefit from a further improvement in their social security pension, as the portion commuted into a gratuity (€200) will not be taken into consideration at all in their pension calculation.
	In addition, service pensioners who have been boarded out and issued a service pension early due to illness will begin to see the mentioned adjustment of the portion of the pension commuted being implemented after 12 years from the time they started receiving the service pension and not when they turn 72.
	Introducing a new measure for service pensioners who have not yet reached retirement age, and who neither work nor receive a social security pension. At present, these people do not receive any cost-of-living adjustments, while those who work or receive a social security pension receive the COLA. These persons will begin to receive an Additional Cost-of-Living Bonus equivalent to the full cost-of-living adjustment.
	Upward adjustment of pension deferral rates by 1.5%, i.e., 6.5% (1 year), 7% (2 year), 7.5% (3 years), and 8% (4 years), now reaching a maximum of 29%.
	The studying and eventual adoption of an automatic subscription to a private pension scheme.
	Persons who are 63 years of age and over and who do not qualify for a contributory pension are to receive an additional €50 bonus – thus persons who paid less than 5 years of contributions will receive a bonus of €500; and those who paid over 5 years will receive a bonus of €600.
	Individuals who have been on sickness benefits for more than six months will start earning rates equal to those of the invalidity pension.
	A measure is introduced that will enable persons suffering from any severe mental condition to qualify for an invalidity pension if the applicant has at least 50 social security contributions in their lifetime.
	Adjustment to the tax exemption for active pensioners (pensioners who earn additional income on top of their pension), increasing the 40% threshold to 60% (gradual phasing over 5 years, reaching 100% by 2026).
Budget 2025	Uniform mechanism of pension adjustments, whereby each year pensions increase by a percentage 70% of which is based on the increase in wages and 30% on the increase in inflation.

	Uniform Maximum Pensionable Income (MPI): pensioners who were born before 1962 and whose current salary had they still been working would exceed their Maximum Pensionable Income, will be receiving an additional increase in their pension which varies according to the salary.
	Widow/er's Pension will no longer be taxable for widows and widowers under the age of 61. By 2027, all widowed pensioners receive the full pension their spouse would have received had they still been alive.
	Adjustment to the tax exemption for active pensioners (pensioners who earn additional income on top of their pension), increasing the 60% threshold to 80% (gradual phasing over 5 years, reaching 100% by 2026).
	Service pensioners who are over 72 years of age, or who will reach the age of 72 during the year, will benefit from a further improvement in their social security pension, as the portion commuted into a gratuity (€200) will not be taken into consideration at all in their pension calculation.
	Individuals who did not have sufficient contributions to qualify for a pension receive a bonus based on the amount of contributions paid. Bonus rates will now be determined based on the actual number of social security contributions paid. These will vary from €550 for those with up to 1 year of social security contributions to €1,000 for those with up to 9 years of contributions.
	As recommended by the Pensions Strategy Group, individuals born in 1976 or later for whom the required period for social security contributions, whether paid or accredited, will be 42 years instead of the current requirement of 41 years.
	Adjustment in the supplementary allowance's mechanism's parameters to improve allowance rates and enable more couples to qualify. The maximum amount paid to couples will increase by €190, bringing the total to €1,289 per year. Meanwhile, the rate for single individuals will rise by €69 to €667. Additionally, the income limit for couples will be raised to €18,000 per year.
	The capital asset limits utilised to determine the eligibility for the Age Pension, Social Assistance, including Unemployment benefits, Medical Assistance, and the Pink Form are readjusted.
	The Government will introduce the opportunity to invest in an occupational retirement plan. While employers will not be required to make contributions, they must provide employees the opportunity to join a plan. Furthermore, the employee will retain the choice to decline. The Government will also, in the case of its employees, be matching individual contributions up to a maximum of €100 per month.
	Increases in contributory pensions will not be considered when assessing eligibility for Free Medical Assistance, allowing individuals to receive medicines free of charge.
	Individuals with disabilities, including those with severe disabilities, can receive disability assistance while employed, and workers injured on the job may qualify for a permanent disability pension. However, upon retirement, these benefits cease as they transition to the contributory pension. To address this, the government will introduce an adjustment ensuring that retirees who previously received disability assistance will have their contributory pension increased. This increase will guarantee that their pension meets at least the National Minimum Wage and includes an additional boost of no less than 10% of the disability assistance they were previously entitled to.

Table 2: Pension-related budget measures for the Budget years 2022-2025.

Terms of Reference

Article 64(B) of the Social Security Act states that "the Minister shall within intervals not exceeding the period of five years lay on the Table of the House a report reviewing the workings of Part V of this Act within the previous five years together with recommendations, if any, with a view of achieving further adequacy, sustainability, and social solidarity in such manner that a stable proportion is kept between the contribution periods as referred to in article 53 and the periods of time during which it is expected that the pension will be paid in accordance with Part V of this Act".

The Ministry for Social Policy and Children's Rights formed a new Pension Strategy Group to draw up this strategic review. The terms of reference of the Pension Strategy Group are the following:

1. Review:
   (i) The 2020 strategic review titled 'Strategic Review on the Adequacy, Sustainability, and Solidarity of the Pension System as Mandated by Article 64B of the Social Security Act' and subsequent implementation;
   (ii) The evolution of social security contributions and coverage, including an in-depth review of wage composition and potential pension income reference salaries, and contribution densities;
   (iii) The effectiveness of pension-tax policies by income and household sub-groups;
   (iv) Current policies for potential policy caveats;
   (v) External yet interlinked factors influencing first pillar pension policy, including private pension investment, take-up of pension deferral policy, fertility policy and others.

2. Submit recommendations regarding the further strengthening of:
   (i) The Social Security Contributory pension regarding sustainability, adequacy, and solidarity, including developments in the proportion between the contribution period and the period of time that the pension is expected to be paid as stipulated in Article 64B of the Act.
   (ii) Existing and the introduction of new frameworks directed to save for retirement in order to bridge the gap between income earned in employment and the social security contributory pension income.

3. Assess the situation of current and future pensioners, in terms of potential pension levels, pensioner income adequacy and developing retirement standards of living.

4. Model its recommendations for the period 2025 – 2070.

5. Take note of:
   (i) Government policy decisions regarding pensions.
   (ii) Joined-up policy matters that affect the sustainability, adequacy, and solidarity of the pension architecture including but not limited to population, migration, employment, gender, poverty, etc.
   (iii) European Union decisions and policy direction regarding pensions.
   (iv) Evolving and innovative approaches to pension reforms adopted by jurisdictions within and outside of the EU and by appropriate supra-national institutions, think-tanks, etc.
   (v) Macro-economic and demographic frameworks and assumptions established by European Union institutions for pan-EU pension reform modelling.

6. Consult with appropriate stakeholders in the undertaking of its work.

7. Set up working groups as appropriate for the carrying out of it work.

8. Engage the services of the World Bank to assist it with modelling on the PROST tool.

As previously stated, the Pension Strategy Group is independent from government.

2025 PSG Organigram and breakdown of responsibilities

The Pensions Strategy Group is constituted as follows:

Chairperson: Mr Mark Musù

Permanent Secretary, Ministry for Social Policy and Children's Rights

Members: Alexia Vella,

Director General, Strategy and Implementation Division.

George Cremona,

Director General, Social Security.

Grazio Barbara,

Director General, Service Pensions.

Helena Holland,

Director, Pension Strategy Directorate.

Anthony Borg,

Director, Contributory Benefits.

Frans A. Camilleri,

Consultant, Office of the Permanent Secretary.

Stephanie Mifsud,

Director (Taxation, Benefits and Policy), Economic Policy Department.

Dr. Aaron Grech,

Chief Officer, Central Bank of Malta.

Dr. Stephanie Fabri,

Consultant, University of Malta.

Technical Secretary: Bernard Mamo,

Senior Manager, Pension Strategy Directorate.

An Assessment of the State of Play and the 2025 No Reform Baseline Model

The Demographics and the Labour Market: The Underpinning Fundamentals of the PAYG Pension System

In a Pay-As-You-Go system, pension benefits are primarily funded by the contributions of those currently in the workforce, representing a socialized transfer system between generations. In the absence of such a system, families would typically adapt to changing circumstances independently. Retired individuals anticipate a decent standard of living, while it is expected that their working children should receive fair compensation for their efforts.

Sustained economic growth helps alleviate potential challenges in maintaining a robust PAYG pension system. However, if economic expansion lags behind the increasing proportion of elderly citizens in the population, younger workers may experience a decline in their real disposable income unless adjustments like benefit reductions or raising the retirement age are made. This could result in younger generations being unable to surpass the living standards of their predecessors, making it increasingly challenging or impossible to sustain intergenerational transfers from workers to retirees.

Put differently, the crux lies in output. Production and consumption of goods and services are vital for any viable pension scheme. There are essentially two ways to secure retirement income. One is by saving current production for future consumption, akin to Robinson Crusoe's solitary island scenario, which is impractical today due to its costliness, lack of adaptability to changing needs, and absence of provisions for essential services like healthcare.

Instead, individuals must exchange current production for future entitlements. They can either save a portion of their earnings to accumulate assets for later consumption or rely on promises from various entities like children, employers, or the government to provide for their needs during retirement. These approaches naturally lead to two common pension structures: funded schemes, where pensions are funded by accumulated financial assets, and pay-as-you-go schemes, where pensions are financed by current tax revenues.

Both funded and PAYG plans are contingent on future output, and they are essentially worthless for retirees if the country fails to produce sufficient goods and services to meet their needs. Retirees are concerned about accessing necessities like food, healthcare, entertainment, etc., rather than simply having currency. Money holds value only when it can be exchanged for goods and services that are available in the market.

In other words, the PAYG pension system relies on two fundamental pillars: demographic trends and labour market dynamics. These factors dictate the system's sustainability and the extent to which it can provide sufficient benefits.

Considering the latter, this section reviews:

a) The demographic landscape and labour market.
b) The assumptions upon which projections of both the labour market and demographics of the 2025 review are based.

The Demographic landscape

In reference to figure 6, by the end of 2023, NSO figures[1] show that Malta's population reached a total of 563,443 individuals, representing an absolute increase of 21,392 (3.95%) when compared to the previous year; the highest increase registered yet. Over a greater number of years, Malta experienced the largest population increases during the 2015-2020 period, whereby the average year-on-year absolute growth rate stood at approximately 14,000 individuals. Furthermore, as one can expect Malta's population growth during 2021 and 2022 slowed down due to the barriers imposed given the ongoing COVID-19 pandemic crisis at the time.

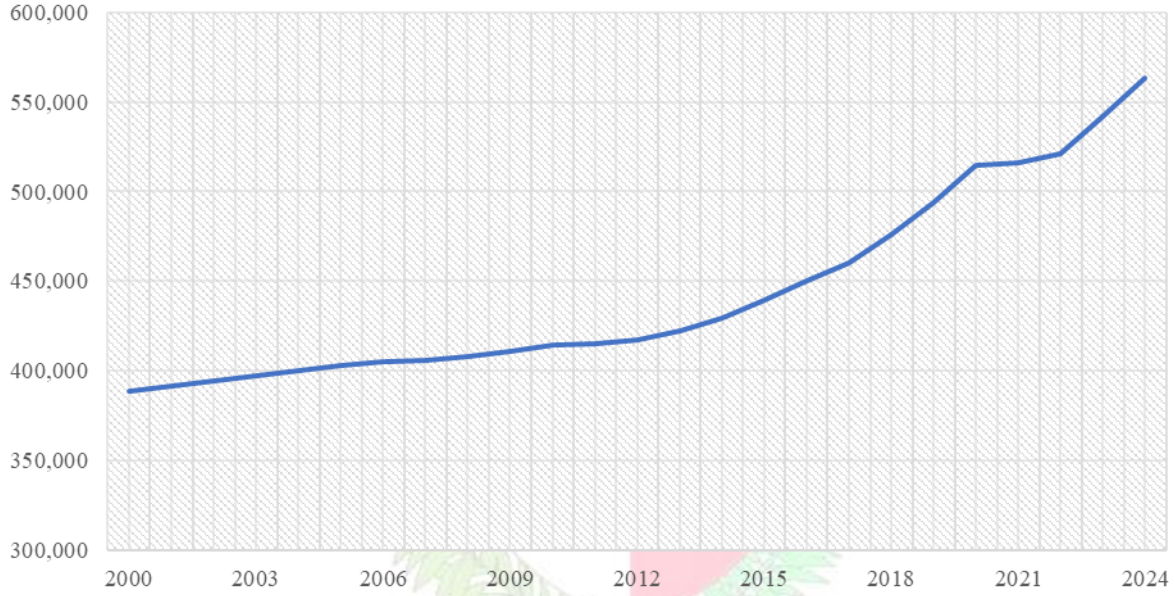


Figure 6: Malta's total population figures for the period between 2000 and 2023[2].

Absolute population figures are limited in their ability to describe the ever-changing dynamics of the locally born and foreign populaces. To this end, the first factor input to be assessed pertains to the population's 'organic' growth rate, i.e. the fertility rate. First and foremost, one can denote that the abovementioned population increases are predominantly not coming from higher fertility rates. In fact, as indicated by figure 7 below, total fertility rates have decreased from 1.99 to 1.06 in 1996 to 2023, respectively[3].

The decrease is indicative of changing family compositions and priorities (with more women entering the labour market), which is further highlighted by the registered increase in the mean age of women at childbirth, from 27.9 years to 31.2 in 2000 to 2022, respectively[4]; in other words, the decision for having children is being delayed.

[1] [demo_pjan] Population on 1 January by age and sex.
[2] Population estimates at end of year 2022 are based on the 2021 Census of Population and Housing. There is a temporary break in series and data for 2022 is not comparable to the current time series.
[3] [demo_find] Fertility indicators.
[4] [demo_fordager] Live births by mother's year of birth (age reached) and birth order.

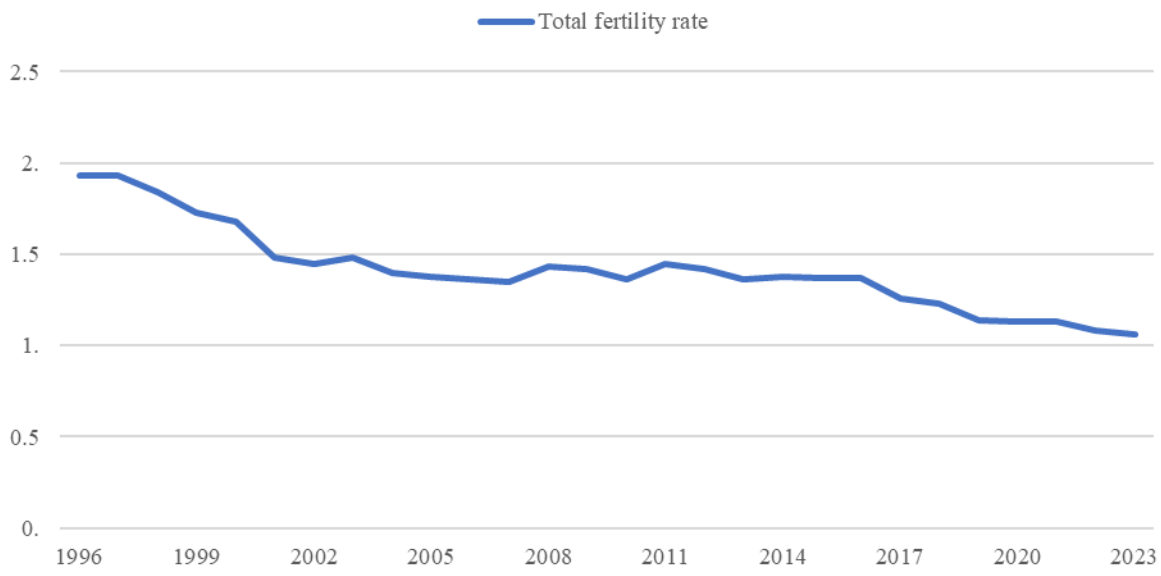


Figure 7: Malta's total fertility rates for the period between 2000 and 2023.

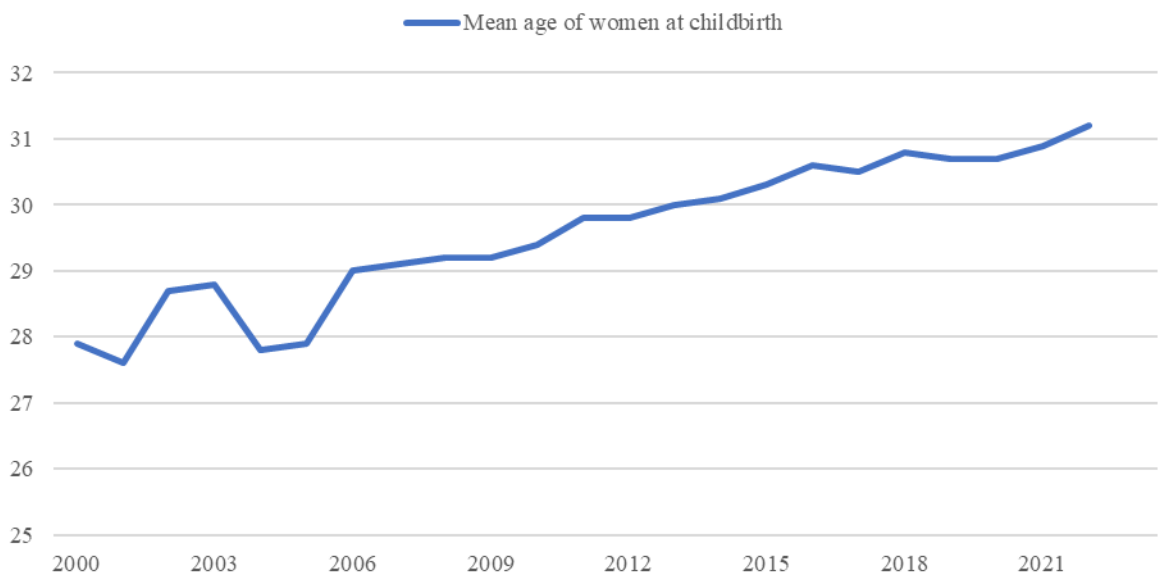


Figure 8: Malta's mean age of women at childbirth for the period between 2000 and 2022.

Delving deeper into the previous remark, figure 8 outlines an upward trend in the mean ages of women at birth of first child, second child, third child and fourth (or higher) child; and the more pronounced 'hump' in the 30-34 age bracket of the age-specific fertility rate figure (refer to figures 9 and 10). What is interesting to note is the gap between the 1st and 2nd child, 2nd and 3rd child, and 3rd and 4th child is decreasing over time. The latter indicates a smaller "allocation of time" dedicated towards building one's family.[5]

In terms of care, apart perhaps from the silver lining of the latter trend, is the higher probability of having one's parents helping the 'young' parents in taking care of their children. Put differently, given that the current generation of parents have a higher chance of receiving help

[5] Ibid.

from their own parents, the ensuing potential generation of parents will most likely face lesser odds as their parents (particularly mothers) will still be working.

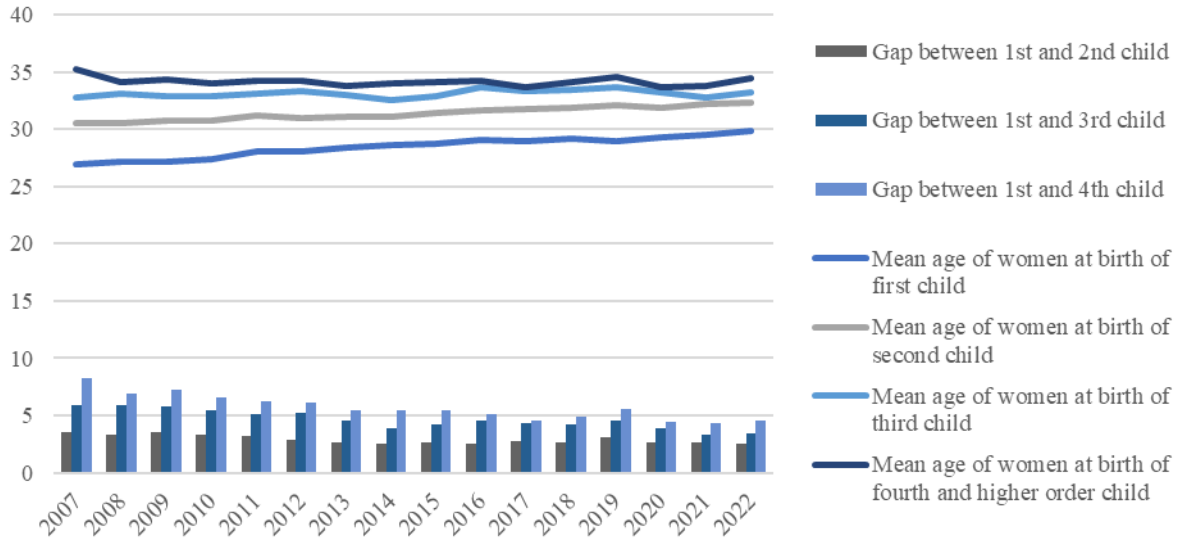


Figure 9: Malta's mean age of women at childbirth, by childbirth order, for the period between 2007 and 2022.

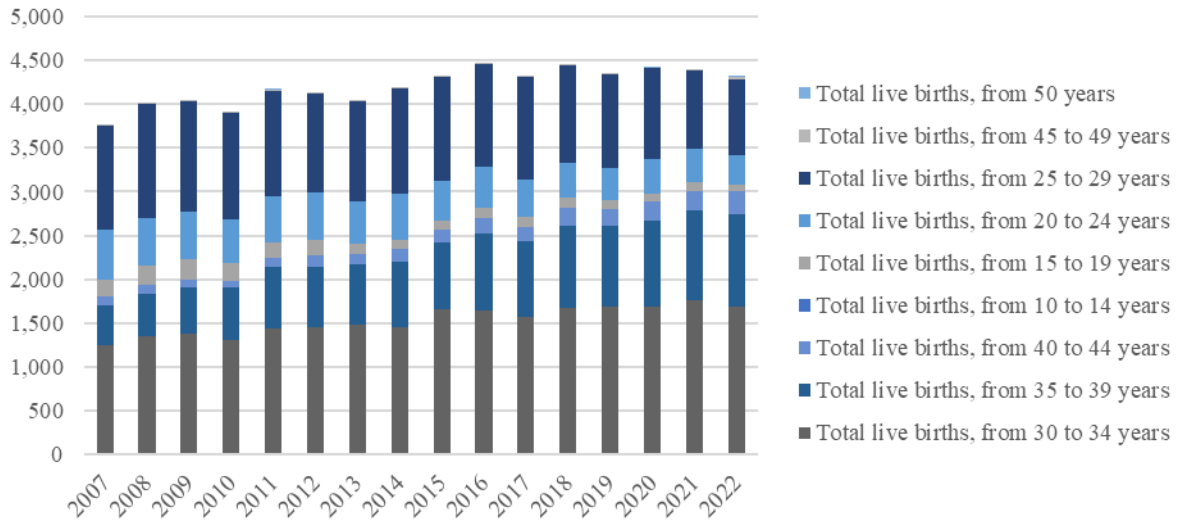


Figure 10: Live births by mother's age, for the period between 2000 and 2022.

The second input factor, and by way of elimination, the most important in the Maltese context, is the flow of migrants. In reference to figure 11, utilising 2013 as the benchmark year against 2024, the foreign-born population has increased by three times, rising from 43,331 to 173,781 individuals[6]. Furthermore, focusing on the migration dynamics, national statistics show an upward trend in net migration (refer to figure 12)[7]. In spite of this trend, one can denote that the reported population increase is majorly coming from the rise in the foreign-born population; and with it, the higher the reliance of public finance sustainability and economic growth on adequate levels of inward migration.

[6] [tps00178] Foreign-born population.
[7] [demo_gind] Population change - Demographic balance and crude rates at national level.

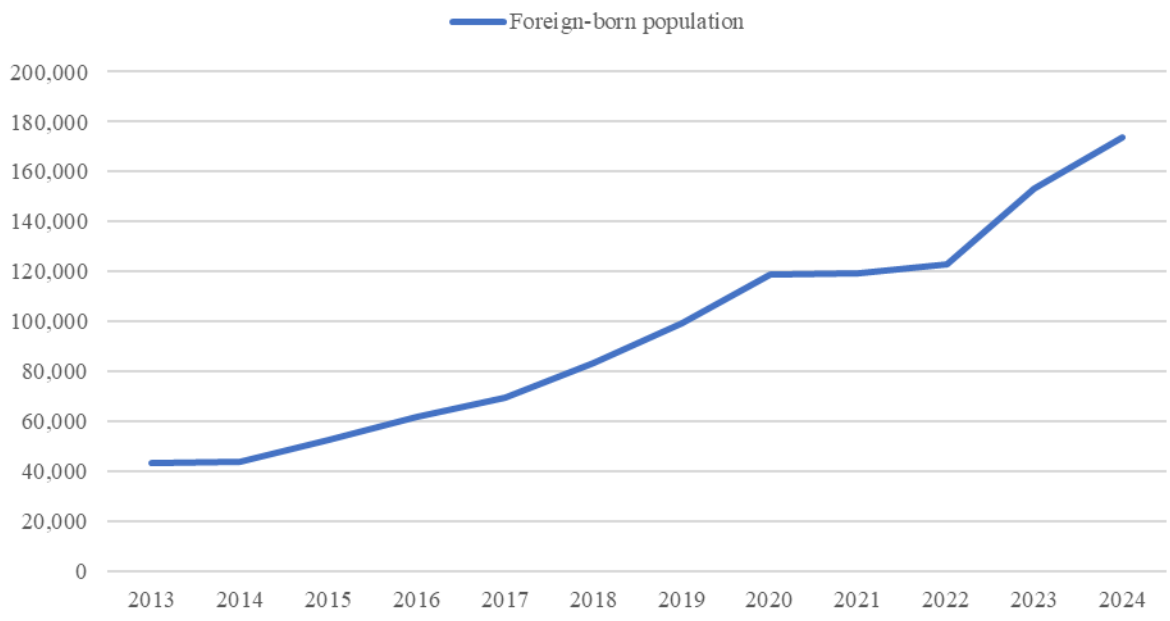


Figure 11: Foreign-born population in Malta, for the period between 2013 and 2024.

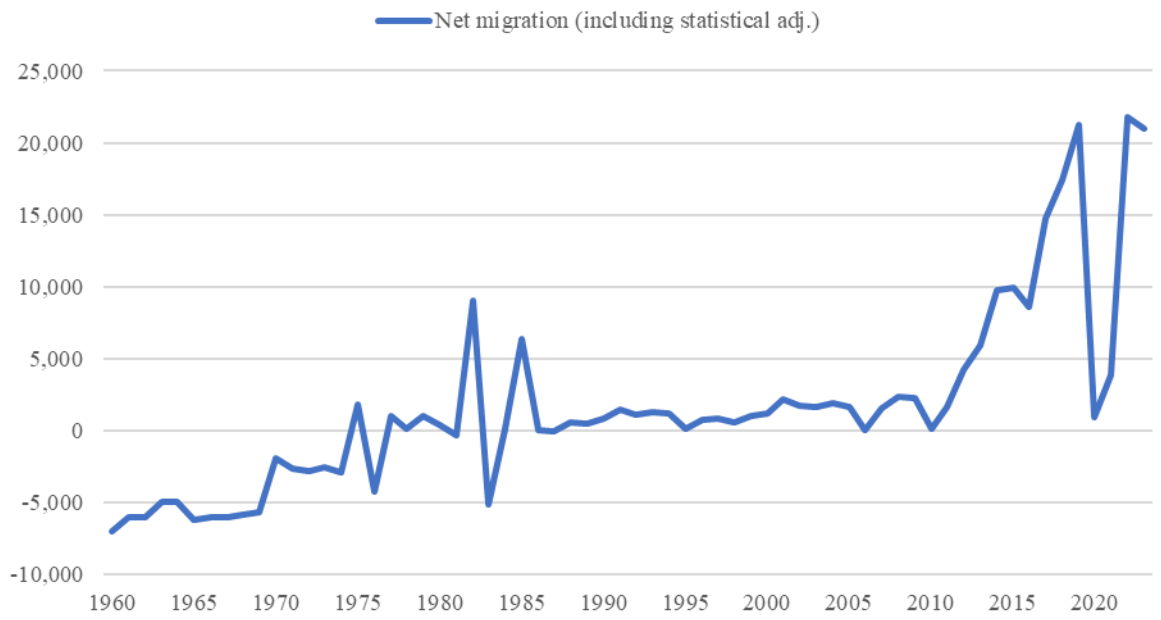


Figure 12: Net migration in Malta, for the period between 1960 and 2023.

The third input factor affecting population figures relates to the life expectancies. Figure 13 outlines the life expectancy of males and females at different reference points, being 61 years, 65 years, and 70 years of age. Specifically, as commonly found in the more economically mature countries (characterised by increased education and awareness levels, improved healthcare, family-friendly policies, etc.), life expectancy exhibits an upward trend across all ages.

Male life expectancy at 61, 65 and 70 years of age increased respectively by 4.0 years, 4.0 years, and 3.4 years from 2000 to 2022; whilst female life expectancy for the same age groups and period of time, increased by 3.4 years, 3.4 years, and 3.2 years. In terms of total years,

females have the highest life expectancies across all reference points, being 86.5 years, 87 years and 87.8 years; with their male counterparts being 83.4 years, 84.2 years and 85.2 years. [8]

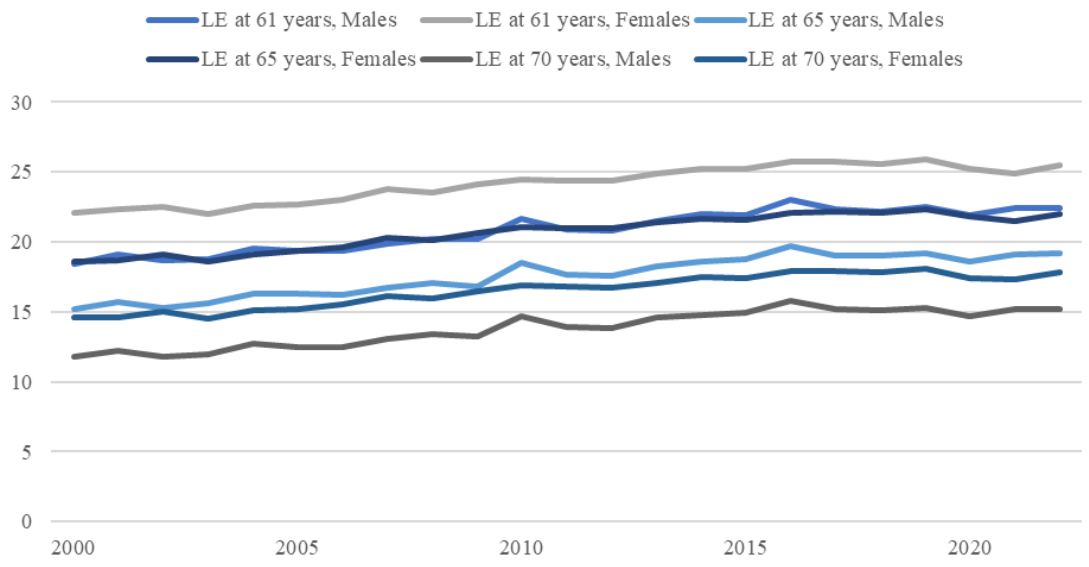


Figure 13: Life Expectancy of Malta's population at different reference years (61 years, 65 years and 70 years) and sex, for the period between 2000 and 2022.

One should note the relevance that increased life expectancy is trivial when compared to the quality of 'extended' life years (refer to figure 14). In absolute terms, the number of healthy life years of males at 65 years of age increased from 10.6 years to 12.2 years over the 2005 and 2022 period. The latter increase is only marginally reflected in their female counterparts, with the average 65-year-old female's healthy life years increasing from 11.1 years to 11.6 years. In spite of the fact that both sexes exhibited positive trends, assessing the ratio between the healthy life years and life expectancy at 65 years of age, both males and females experienced declines of 2 percentage points (65% to 63%) and 2 percentage points (57% to 55%), respectively.[9]

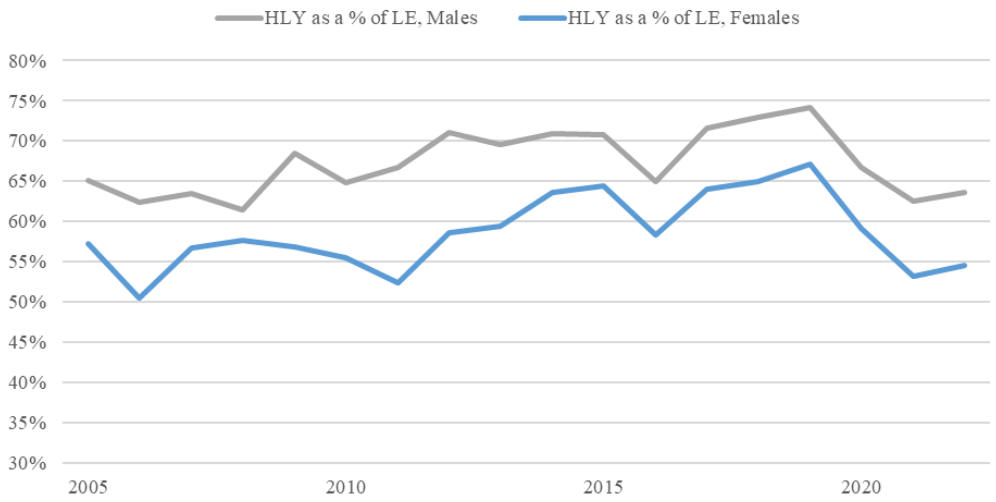


Figure 14: Healthy life years of Malta's population at 65 years of age (by sex), for the period between 2005 and 2022.

[8] [demo_mlexpec] Life expectancy by age and sex.
[9] [hlth_hlye] Healthy life years by sex (from 2004 onwards).

Furthermore, interlinked with the above-mentioned factors is the mortality/death rate, i.e., mortality expressed as a proportion of the population. Figure 15 shows that over the 23-year period between 2000 and 2023, the number of deaths has increased by 37%, from 2,941 to 4,030; with the mortality rate exhibiting overall stability, hovering slightly below the 0.8% mark. Furthermore, in reference to figure 16 comparing the age-specific (five-year groupings) mortality rates for the years 2006 and 2022, one can clearly denote declining trends across the mortality rates of older cohorts.[10]

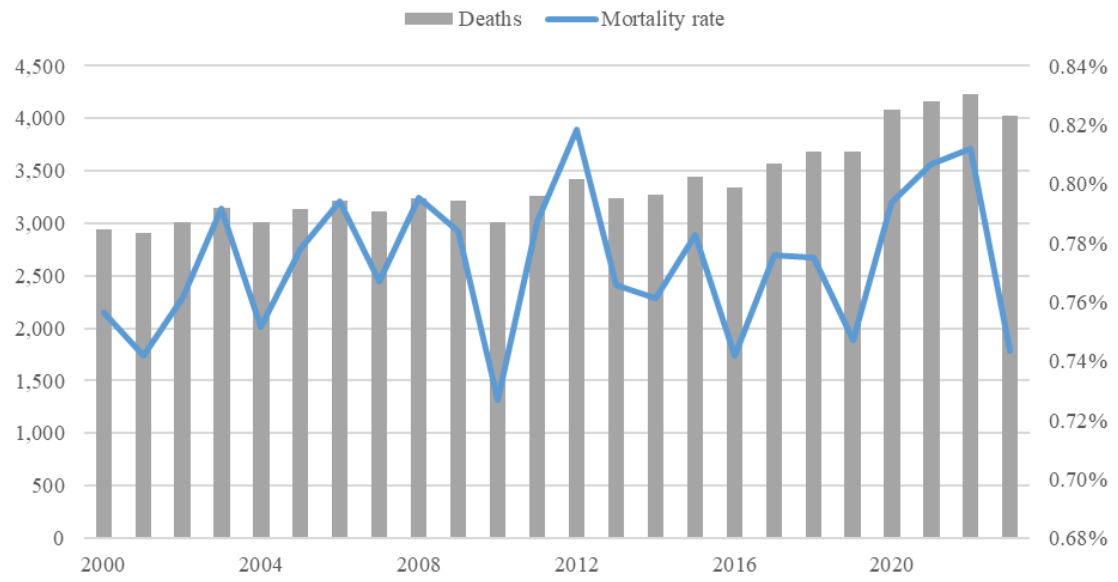
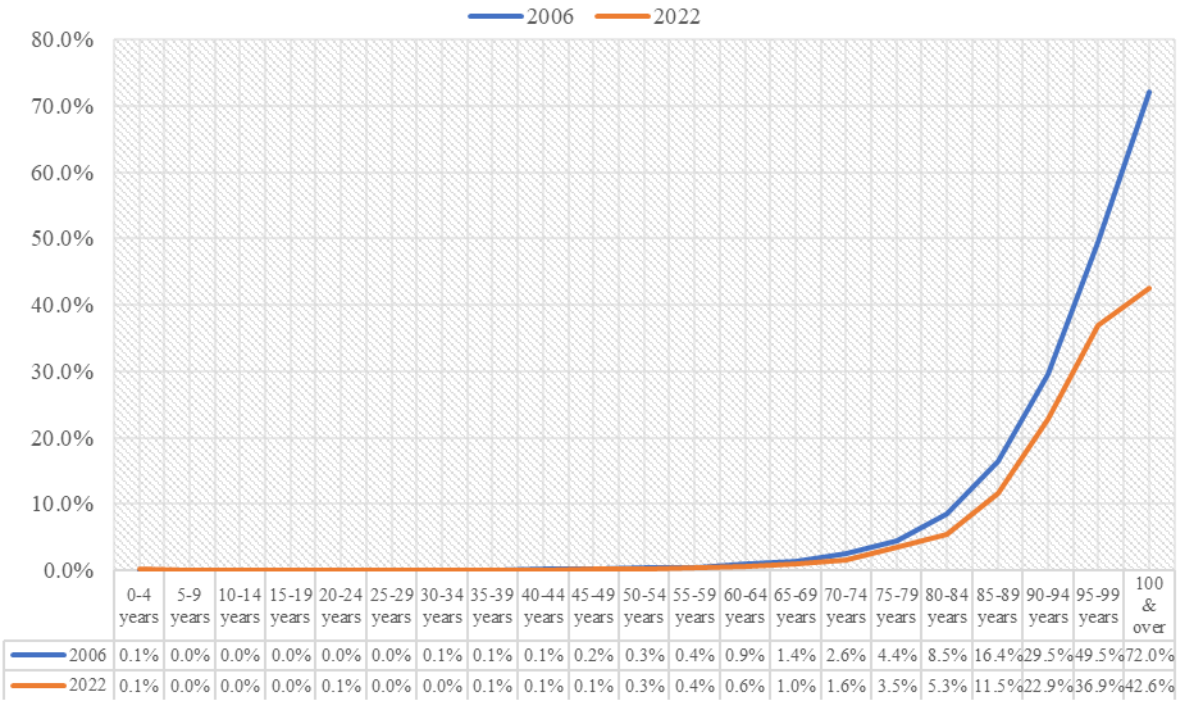


Figure 15: Deaths and mortality rates of Maltese population, for the period between 2000 and 2023.



	0-4 years	5-9 years	10-14 years	15-19 years	20-24 years	25-29 years	30-34 years	35-39 years	40-44 years	45-49 years	50-54 years	55-59 years	60-64 years	65-69 years	70-74 years	75-79 years	80-84 years	85-89 years	90-94 years	95-99 years	100 & over
2006	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.1%	0.1%	0.1%	0.2%	0.3%	0.4%	0.9%	1.4%	2.6%	4.4%	8.5%	16.4%	29.5%	49.5%	72.0%
2022	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.1%	0.1%	0.1%	0.3%	0.4%	0.6%	1.0%	1.6%	3.5%	5.3%	11.5%	22.9%	36.9%	42.6%

Figure 16: Age-specific (5-year groupings) mortality rates of the Maltese population for the years 2006 and 2022.

[10] [demo_gind] Population change - Demographic balance and crude rates at national level.

All in all, the trio of low birth rates, diminished mortality rates, and extended life expectancies are mirrored in the narrowed base, expanding midsection, and tapered peak of the population pyramid presented in figure 17.[11]

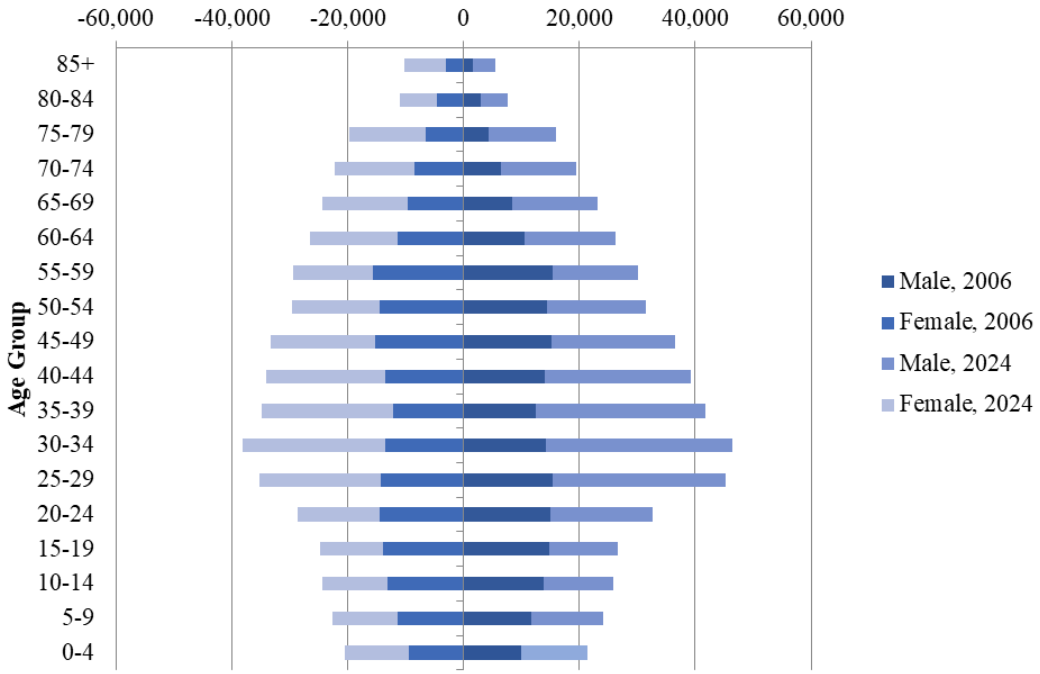


Figure 17: Population pyramids for the years 2006 and 2024.

The Labour market landscape

The complexities of the ageing process are elucidated by variations in dependency ratios, which link the number of young people to the elderly who rely on assistance for daily needs, and those capable of providing such support.

Key metrics for gauging old age dependency encompass the old-age dependency ratio (OADR), reflecting the ratio of individuals aged 65 and above to those aged 15-64, the ageing of the aged ratio (comprising the 80+ age group as a percentage of the 65+ age group), and the economic old-age dependency ratio (EOADR) which depicts the inactive population aged 65+ as a percentage of the employed population aged 15 to 64).

Currently, the trajectory of the OADR has generally been positive since 2011, reaching 26.5 percent in 2023; indicating a growing proportion of elderly people relative to the working-age population, with an increase of 1.5 percentage points since 2012. Conversely, the Ageing of the Aged Ratio has seen a slight decline, dropping from 22.0 percent to 21.6 percent. This stability implies that while the overall elderly population is increasing, the growth rate of those aged 80 and above is slower. Moreover, the EOADR has decreased by 5.5 percentage points since 2012, now at 31.2 percent in 2023, suggesting shifts in the labour force participation of older individuals influenced by the effectiveness of prevailing labour market policies.[12] In the

[11] Ibid.

[12] Economic-Survey-2024.pdf.

context of pensions, these ratios outline the contrast between the potential pensioner population (systematic fiscal output) and hence system's required input variable (contributory revenue) will be.

Comparing the first quarter of 2002 with the third quarter of 2024, Malta boasts an impressive track record in augmenting its 15-64 age bracket employment rate from 53% (142,900 individuals) to 80.3% (316,800 individuals); representative of an increase of 173,900 individuals. [13] [14]The exhibited labour market success story is owed to the extensive and inclusive active labour market policies aimed at encouraging women's participation. In particular, during the same time period and age group, the employment rate for males increased from 73.1% to 86%. Even though the increase is relatively remarkable, the surge is trivial when compared to their female counterparts, exhibiting an increase from 32.7% to 73.2%. In absolute terms, the increases for males and females are equivalent to 88,100 and 85,800 individuals, respectively.

The described trends in employment rates mirror the trends observed in the activity rates. Specifically, during the same time period and age-brackets, Malta's activity rate has increased from 57.3% to 82.9%. Breaking down the latter by gender, male activity rates increased from 79.2% to 88.9%, whilst female activity rates increased from 35.1% to 75.5%.[15][16]

Going one step further, further disaggregating both employment and activity rates in terms of both gender and age-brackets, over the 2002 to 2024 period, the following trends can be denoted:

i. Activity rates for males and females aged between 15 to 24 years have decreased from 59% to 58.5%, and increased from 53.6% to 60.2%, respectively.
ii. Activity rates for males and females aged between 25 to 54 years have increased from 93.2% to 97.3%, and increased from 35.4% to 84.8%, respectively.
iii. Activity rates for males and females aged between 55 to 64 years have increased from 50.6% to 72.7%, and increased from 8.1% to 48.3%, respectively.
iv. Employment rates for males and females aged between 15 to 24 years have increased from 47.7% to 52.7%, and increased from 46.9% to 53.7%, respectively.
v. Employment rates for males and females aged between 25 to 54 years have increased from 87.8% to 94.8%, and increased from 33.8% to 82.9%, respectively.
vi. Employment rates for males and females aged between 55 to 64 years have increased from 49.4% to 71.3%, and increased from 8.1% to 48%, respectively.[17]

An additional remark of interest relates to the employment of individuals aged 65 and over. As indicated by figure 18, since 2005, individuals falling within this category have substantially increased by approximately 5,600 individuals (reaching 6,600 by 2023), with males accounting for approximately 70% of this increase. The latter highlights the persistence of prior labour market effects and preferences towards working even post the statutory retirement age.[18]

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[13] [lfsq_ergan] Employment rates by sex, age and citizenship (%).
[14] [lfsq_egan] Employment by sex, age and citizenship (1 000).
[15] [lfsq_argan] Activity rates by sex, age and citizenship (%).
[16] [lfsq_agan] Active population by sex, age and citizenship (1 000).
[17] Ibid.
[18] Ibid.

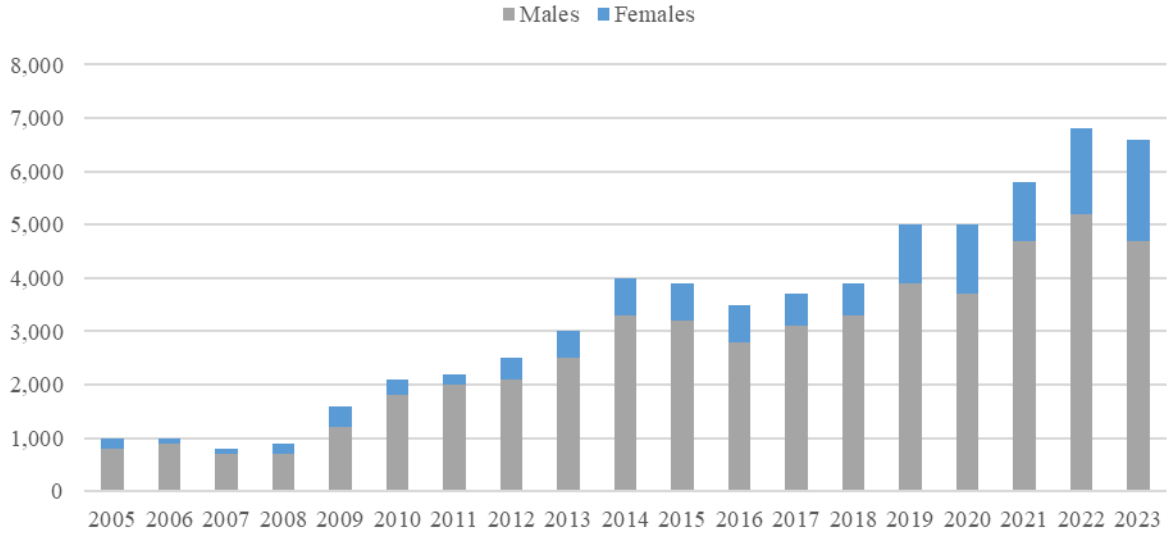

Figure 18: Employment of individuals aged 65 and over, for the period between 2005 and 2022.

Focusing on the 50+ age cohort, from 2002 onwards, Malta's employment rate among individuals aged 50 and over has risen markedly, yet it remains below the EU average. In 2002, only about 25% of Maltese aged 50+ were employed, compared to 27.7% in the EU. Over the following two decades, Malta made steady gains, reaching 36.1% by 2024—narrowing but not closing the gap with the EU's 38.5%. Additionally, the gender breakdown shows that Maltese men aged 50+ maintained relatively high participation throughout, with employment rates increasing modestly from 43.9% in 2002 to 45.0% in 2024, broadly converging with the EU average. In contrast, women's employment rate, though improving significantly—from a very low 9.6% in 2002 to 27.3% in 2024—continues to lag well behind the EU female average of 33.3%.

This persistent gap, particularly among older women cohorts, highlights Malta's structural challenges in extending working lives. While overall participation has improved due to policy reforms and stronger labour demand, the lower employment rate among older workers still constrains the effective labour force and increases the dependency ratio. For the pension system, this underlines the importance of continuing to discourage early retirement and creating stronger incentives for older workers to remain active.

Moreover, from 2000 to 2023, the overall duration of the working lifespan surged by 9.5 years, escalating from 28.9 to 38.4 years, marking a growth of 32.9% (refer to figure 19). By 2023, men experienced an extension in their total working years to 41.6, reflecting an augmentation of 2.2 years from 2000, equivalent to 5.6%. On the other hand, the working lifespan for women soared by 17.1 years during the same timeframe, representing an impressive surge of 97%.[19]

[19] [lfsi_dwl_a] Duration of working life.

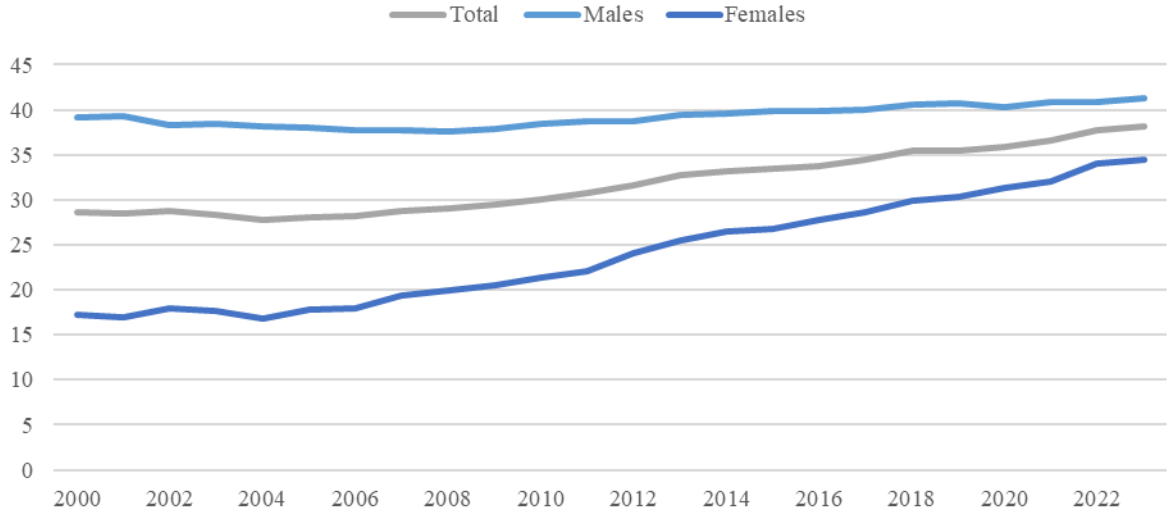

Figure 19: Duration of working life by sex.

Regarding unemployment, Malta consistently surpassed its European counterparts and consistently achieved historically low levels. Malta's post-pandemic period shows a distinct downward trend, with figures regularly below pre-pandemic levels, aligning with the trend observed among EU Member States.

Employment, activity and unemployment rates and levels only show surface-level characteristics of the labour market's evolution. The first factor of relevance refers to the distribution of the increase in employment rates, in terms of full-time employment versus part-time employment. In reference to figure 20, over the 24-year period between 2000 and 2024, full-time and part-time employment increased from 133,700 to 284,300 and 8,600 to 32,500 individuals, respectively.

An important trend is derived from subdividing the statistics by sex, whereby the increase in full-time employment is predominantly due to males, whilst females accounted for the greater part of the increase in part-time employment. The latter outlines the essential element of flexibility in labour market opportunities, whereby adjusting timeframes for decent working arrangements creates additional "unconventional" avenues of labour market entry and longer-term retainment. [20]

[20] [lfsa_epgaed] Full-time and part-time employment by sex, age and educational attainment level (1 000).

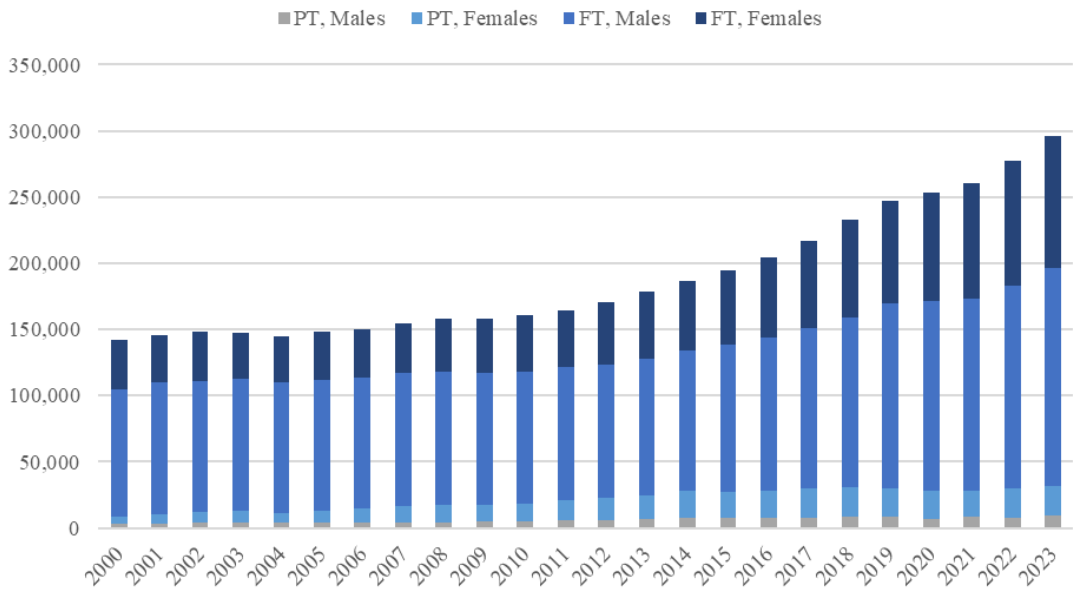

Figure 20: Full-time and part-time employment in Malta, over the period between 2000 and 2024.

The second factor of importance refers to how the rise in employment rates translates into an increase in the number of hours worked. During the 22-year period ending 2022, figure 21 reporting the average number of usual weekly hours worked, shows that full-time and part-time employment have decreased and increased by one hour, respectively.[21]

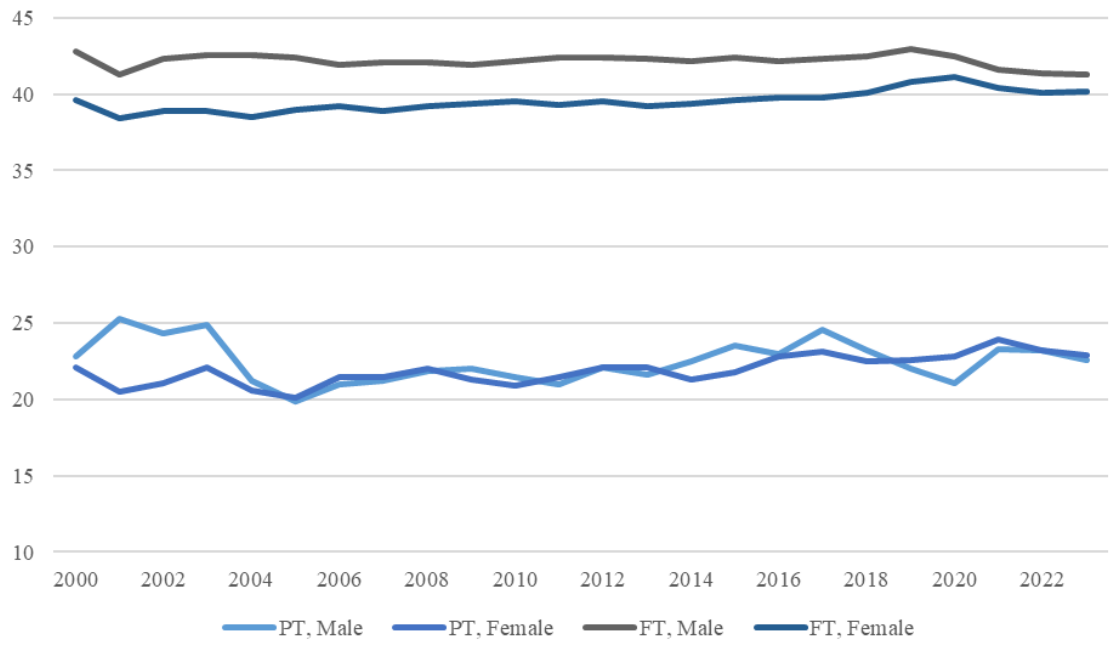

Figure 21: Average number of usual weekly hours of work in main job, 15-64 years, by sex and full-time/part-time, over the period between 2000 and 2022.

In the case of the former, the reduction is driven by a decrease in the average male's hours worked; whereas their female counterparts increased said hours. Assessing the trends in hours worked by age bracket, the main increases stem from the hours worked by females in the 25-

[21] [lfsa_ewhuis] Average number of usual weekly hours of work in main job, by sex, age, professional status, full-time/part-time and occupation.

54 and 55-64 age brackets. On the other hand, the growth in part-time employment take-up is driven by both sexes, with females accounting for most of the surge. Breaking down the figures by age, the main drivers of the exhibited increases are hours worked by males and females in the 25-54 and 55-64 age brackets.[22] Furthermore, type of employment is not a binary choice for some (be it personal preference, income needs, need for flexible scheduling, etc.), but rather one which complements the other. In 2000, approximately 6,200 individuals held secondary jobs; fast-forwarding to 2023, the figure has more than doubled, reaching a total of 13,700 individuals (refer to figure 22).[23]

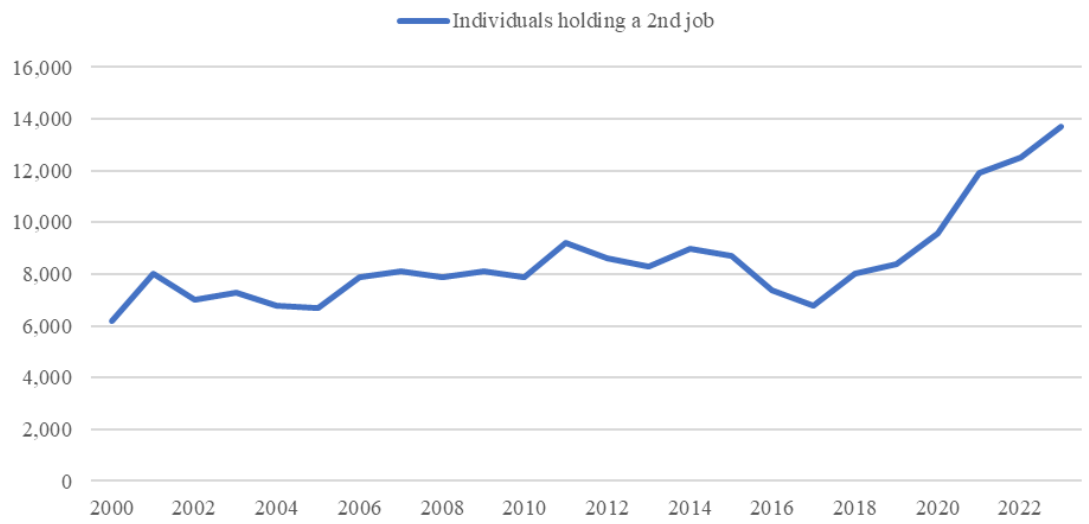

Figure 22: Number of Persons Aged 15 and over holding a Second Job: 2000-2023

The third factor of primacy stems from a productivity perspective, whereby the quantity of hours falls second only to the 'quality' of said hours. In this sense, quality refers to what type of output is being produced during the hours worked, i.e., labour productivity. Primarily, labour productivity needs to be assessed in terms of the allocation of employment by industries. Focusing on the period between 2008 and 2023, six local industries accounted for approximately 61% of new employment; with the total change equal to 138,800 individuals. Chronologically speaking by sector, these sectors include the:

i. Human health and social work activity sector accounted for 12.7% of the above-mentioned increase, equivalent to an increase of 17,600 individuals, where females accounted for 68.2% of this increase;
ii. Arts, entertainment and recreation sector accounted for 10.3% of the above-mentioned increase, equivalent to an increase of 14,300 individuals, where males accounted for 67.1% of this increase;
iii. Financial and insurance service activities sector accounted for 9.1% of the above-mentioned increase, equivalent to an increase of 12,600 individuals, where males accounted for 56.3% of this increase.
iv. Wholesale and retail trade (including the repair of motor vehicles and motorcycles) sector accounted for 8.3% of the above-mentioned increase, equivalent to an increase of 11,500 individuals, where females accounted for 64.3% of this increase;

[22] Ibid.
[23] [lfsa_e2ged] Employed persons having a second job by sex, age and educational attainment level (1 000).

v. Accommodation and food service activities sector accounted for 7.9%. of the above-mentioned increase, equivalent to an increase of 11,000 individuals, where males accounted for 82.7% of this increase;

vi. Education sector accounted for 7.9% of the above-mentioned increase, equivalent to an increase of 10,900 individuals, where females accounted for 82.6% of this increase;[24]

Exploring further the aggregated employment statistic, tables 3-8 alternatively show the shift in the roles of individuals forming part of the Maltese labour market. Over the assessed 23-year period, there has been a clear shift in the occupational structure of the workforce, with a growing emphasis on higher-skilled jobs. Specifically, the number of professionals rose substantially from 26,000 (10.9%) in 2000 to 57,000 (18.5%) in 2023, whilst managers increased from 15,000 (6.4%) to 31,000 (10%). Technicians and associate professionals also grew modestly in number, maintaining a stable share of employment at around 10%.

Conversely, lower-skilled and manual roles saw a relative decline. Clerical support workers remained stable in absolute numbers—hovering between 16,000 and 20,000—but their share of total employment decreased from 8.1% to 6.3%. Employment in service and sales roles increased in both absolute and percentage terms, reflecting the ongoing expansion of Malta's service-oriented economy. In contrast, occupations such as craft and related trades, plant and machine operators, and elementary roles declined. For example, craft workers decreased from 17,000 (7.2%) in 2000 to 15,000 (5.0%) in 2023, while those in elementary occupations dropped from 32,000 (13.2%) to 28,000 (9.1%).

Breaking the data down by gender reveals additional insights. Male employment saw a notable increase in professional and managerial positions, with male managers rising from 13,000 (6.7%) to 24,000 (9.2%) and male professionals from 19,000 (9.4%) to 38,000 (14.7%). However, male employment in traditional manual sectors such as craft work and machine operation decreased both in number and proportion. Among females, the most significant gains were seen in higher-skilled occupations. Female professionals more than doubled from 8,000 (8.7%) to 19,000 (16.8%), and female managers grew from 4,000 (4.8%) to 7,000 (6.1%). Clerical roles, historically a major area of female employment, declined in share from 16.4% to 10.3%. While female employment in elementary occupations and service roles remained relatively strong, they too saw a proportional reduction as more women moved into professional sectors.[25]

In summary, the data reflects a broader structural shift toward higher-skilled, knowledge-based occupations, driven by technological change, rising educational attainment, and increased female participation in skilled employment. Simultaneously, reliance on lower-skilled roles has fallen, pointing to evolving labour demands in a modernising economy.

[24] [lfsq_egan2] Employment by sex, age and economic activity (from 2008 onwards, NACE Rev. 2) - 1 000.
[25] https://ec.europa.eu/eurostat/databrowser/view/lfsa_egais__custom_16247663/default/table?lang=en.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, forestry and fishing	2.8	2.2	2.1	1.8	1.6	2.1	2.1	2.6	2.2	1.9	2.1	2.4	2.7	2.1	2.2	2.9
Mining and quarrying	0	0.4	1.1	0	0	0	0.4	0	0	0	0	0	0	0	0	0
Manufacturing	23.7	23.5	24.4	25.2	22.9	22.9	24	24.2	24.5	25.9	26.7	27.5	28.4	27.5	27.3	30.2
Electricity, gas, steam and air conditioning supply	1.9	1.7	1.5	1.7	2	1.8	0.8	0	0	0	0	0	0	0	0	0
Water supply; sewerage, waste management and remediation activities	2.4	2.7	2.5	1.9	2	2	1.9	2.1	2.3	2.1	1.8	2.9	3.1	3.2	3.1	2.6
Construction	12.2	11.5	11.7	11.5	10.8	11.7	11.9	12.6	13.9	15.1	15.3	17.6	15.4	17.5	18.4	19.6
Wholesale and retail trade; repair of motor vehicles and motorcycles	24.4	24.6	25.6	24.2	24	25.2	28.5	29.5	30.8	30.5	31	34.6	32.7	30.5	32.6	35.9
Transportation and storage	9	9.8	9.1	9.7	9.7	10	10.2	9.4	11.1	12.5	11.4	11.9	13.5	13.5	14.9	14.3
Accommodation and food service activities	12.8	12.9	12.2	12.8	14.5	16	14.6	14.1	16.4	16	16.3	18.8	17.4	15.5	19	23.8
Information and communication	6.2	5.7	4.8	6.1	7.4	7.3	7.3	7.6	7.9	8.1	9.1	9.7	9.7	10.1	12.5	14.8
Financial and insurance activities	5.9	6	6.4	6.6	7.5	8.3	8.6	9.4	10.3	11.6	11.5	11.6	15	15.8	17.4	18.5
Real estate activities	0.8	0.8	0.9	0.8	0.8	1.1	1.2	1.3	1.3	2.3	2.6	2.5	3	4.4	3.6	3.8
Professional, scientific and technical activities	5.1	5.8	5.8	6.3	6.8	7.3	8.2	9.6	10.3	10.8	12.4	12.9	13.8	14.3	15.8	15.5
Administrative and support service activities	4.9	4.4	4.7	4.4	4.6	5.9	7.5	8.6	8.7	10.4	11.5	10.9	10.6	13.6	14.9	15.5
Public administration and defence; compulsory social security	13.7	13.8	13.6	14.7	15.6	14.3	15	15.7	14.2	15.4	16.8	16.9	17.1	17.5	18.6	19.1
Education	13.4	13.4	13.8	15.4	16.1	16.8	17.5	18.6	19.1	19.6	21.3	22	21.9	22.8	24.4	24.3
Human health and social work activities	12.2	12.3	13.3	13.9	15.7	15.9	15.9	17.3	18.9	19.9	22.8	23.7	24.8	26.8	27.2	29.8
Arts, entertainment and recreation	2.4	2.8	3	2.9	4.1	5.1	5.6	6	7.3	8.6	11.5	13.3	13.2	14.2	14.8	16.7
Other service activities	3.4	3.2	3.4	3.5	3.4	3.8	4.5	4.2	3.3	4	5.1	5.5	6.9	5.3	5.6	6.2
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0	0	0	0	0.4	0	0	0.6	1	1.1	2.4	2	3.5	4.5	3.7	2
Activities of extraterritorial organisations and bodies	0	0	0	0.4	0.4	0.5	0.7	0.6	0.8	0.7	0.9	0	0	1	0.7	0
No response	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Total - all NACE activities	157.70	157.9	160.5	164.4	170.7	178.6	186.8	194.4	204.6	216.8	232.8	247	253.4	260.5	277.3	296.50

Table 3: Employment across different sectors (by NACE codes), for the period between 2008 and 2023.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, forestry and fishing	2.6	2.0	2.0	1.7	1.4	1.8	1.8	2.3	2.1	1.8	1.8	1.9	2.4	1.7	1.9	-0.7
Mining and quarrying	0.0	0.0	1.1	0.0	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	18.6	17.8	18.2	18.8	16.9	16.4	17.7	18.6	18.5	18.3	19.8	20.3	21.8	20.2	20.5	1.9
Electricity, gas, steam and air conditioning supply	1.9	1.7	1.4	1.6	1.9	1.5	0.7	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water supply; sewerage, waste management and remediation activities	2.1	2.5	2.0	1.7	1.7	1.7	1.7	1.8	2.0	1.9	1.7	2.6	2.6	2.8	2.6	0.5
Construction	11.7	10.9	11.2	10.9	10.2	10.8	11.0	12.1	13.4	14.6	14.0	16.4	14.2	16.9	17.0	5.3
Wholesale and retail trade; repair of motor vehicles and motorcycles	16.3	16.6	17.4	15.5	14.8	15.4	16.6	17.8	18.3	18.2	18.4	20.7	19.5	18.2	19.2	2.9
Transportation and storage	7.1	8.1	7.6	8.4	8.4	8.4	7.9	7.7	9.2	9.5	8.9	9.2	10.0	10.5	11.5	4.4
Accommodation and food service activities	7.7	8.5	8.2	8.5	9.3	10.4	9.0	9.0	9.9	9.0	10.0	12.4	11.9	9.8	12.3	4.6
Information and communication	4.9	4.5	3.6	4.5	5.4	5.0	5.1	5.4	5.8	5.7	6.4	6.9	7.4	8.0	9.0	4.1
Financial and insurance activities	2.8	2.6	2.8	3.0	3.4	3.7	3.9	4.1	4.4	5.7	6.0	5.4	7.8	7.0	8.3	5.5
Real estate activities	0.5	0.5	0.6	0.5	0.5	0.7	0.6	0.9	0.9	1.3	1.6	1.7	1.8	2.9	2.4	1.9
Professional, scientific and technical activities	3.1	3.4	3.3	3.7	3.8	4.1	4.5	5.0	5.6	6.2	6.0	6.3	7.4	8.0	7.6	4.5
Administrative and support service activities	3.0	2.9	3.0	3.0	2.9	3.4	4.2	5.3	5.3	6.4	7.0	6.2	5.4	7.9	8.8	5.8
Public administration and defence; compulsory social security	9.2	9.3	9.4	9.9	10.2	9.4	10.1	9.9	8.9	10.0	11.1	10.8	11.0	11.1	11.8	2.6
Education	4.6	4.5	4.5	5.1	5.2	5.7	6.4	5.9	5.7	6.6	6.3	6.2	6.7	7.6	6.8	2.2
Human health and social work activities	5.3	5.2	5.6	5.6	6.3	6.1	6.0	5.9	6.4	6.6	8.5	9.4	8.3	8.8	9.1	3.8
Arts, entertainment and recreation	1.6	1.6	1.9	1.9	2.7	3.1	3.5	4.2	5.4	5.8	7.7	9.6	9.3	8.7	9.7	8.1
Other service activities	1.5	1.1	1.0	1.3	1.1	1.5	1.6	1.4	0.9	1.4	1.6	1.7	2.4	1.9	1.5	0.0
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Activities of extraterritorial organisations and bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.4	0.5	0.0	0.5	0.0	0.0	0.6	0.0	0.0
No response	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total - all NACE activities	105.00	104.4	105	106.2	106.9	109.7	113.1	118	123.2	129.4	137.7	148.2	150.6	153.4	161.1	56.1

Table 4: Employment across different sectors (by NACE codes) for males and the period between 2008 and 2023.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, forestry and fishing	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Mining and quarrying	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Manufacturing	5.0	5.6	6.3	6.4	6.0	6.5	6.3	5.7	6.0	7.5	6.8	7.2	6.6	7.3	6.9	7.8
Electricity, gas, steam and air conditioning supply	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Water supply; sewerage, waste management and remediation activities	0.0	0.0	0.5	0.0	0.0	0.4	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.0	0.5	0.0
Construction	0.5	0.6	0.5	0.6	0.6	0.9	0.9	0.5	0.6	0.5	1.3	1.2	1.2	0.6	1.4	2.0
Wholesale and retail trade; repair of motor vehicles and motorcycles	8.1	8.0	8.2	8.7	9.2	9.8	11.9	11.6	12.5	12.3	12.6	13.9	13.2	12.3	13.5	15.5
Transportation and storage	1.8	1.7	1.5	1.2	1.3	1.5	2.3	1.7	2.0	3.0	2.6	2.7	3.5	3.0	3.4	3.9
Accommodation and food service activities	5.1	4.4	4.0	4.4	5.2	5.6	5.6	5.1	6.4	7.0	6.3	6.4	5.5	5.7	6.7	6.9
Information and communication	1.3	1.2	1.2	1.6	2.0	2.3	2.2	2.2	2.1	2.4	2.7	2.9	2.4	2.1	3.5	3.7
Financial and insurance activities	3.2	3.3	3.6	3.5	4.1	4.6	4.7	5.3	6.0	5.8	5.5	6.2	7.2	8.7	9.1	8.7
Real estate activities	0.0	0.0	0.0	0.0	0.0	0.4	0.5	0.5	0.4	1.0	1.0	0.9	1.2	1.5	1.3	1.5
Professional, scientific and technical activities	2.0	2.4	2.4	2.7	3.0	3.2	3.8	4.7	4.8	4.6	6.4	6.5	6.4	6.3	8.1	8.0
Administrative and support service activities	1.9	1.6	1.6	1.4	1.7	2.4	3.3	3.3	3.4	3.9	4.6	4.7	5.2	5.7	6.1	6.7
Public administration and defence; compulsory social security	4.5	4.5	4.2	4.8	5.4	4.9	4.9	5.8	5.3	5.5	5.7	6.0	6.1	6.3	6.8	7.4
Education	8.8	8.9	9.3	10.2	10.8	11.1	11.2	12.7	13.4	13.0	15.0	15.9	15.3	15.3	17.6	17.8
Human health and social work activities	6.9	7.1	7.7	8.3	9.4	9.8	10.0	11.3	12.6	13.4	14.3	14.3	16.5	18.0	18.1	18.9
Arts, entertainment and recreation	0.8	1.2	1.1	0.9	1.3	2.1	2.1	1.8	1.9	2.8	3.9	3.7	3.9	5.5	5.2	5.5
Other service activities	1.9	2.1	2.3	2.2	2.3	2.3	2.9	2.8	2.5	2.7	3.5	3.8	4.5	3.4	4.0	4.6
Activities of households as employers; undifferentiated goods- and services-producing activities of households for own use	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.6	0.8	1.0	2.1	1.8	3.1	4.2	3.4	1.6
Activities of extraterritorial organisations and bodies	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.5	0.5	0.0	0.0	0.0	0.0	0.0
No response	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total - all NACE activities	52.70	53.5	55.5	58.2	63.7	68.9	73.7	76.4	81.4	87.4	95.1	98.8	102.9	107.1	116.2	121.50

Table 5: Employment across different sectors (by NACE codes) for females and the period between 2008 and 2023.

Employment, TOTAL	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	142.4	146.2	147.9	147.8	145.3	148.3	150.2	154.5	157.7	157.9	160.5	164.4	170.7	178.6	186.8	194.4	204.6	216.8	232.8	247	253.4	260.5	277.3	296.5
Managers	9.8	11	12.2	14	13.1	13.1	12.9	12.1	12.1	13.1	14	14.2	16	17.4	18.5	18.1	19.7	21.8	24.5	26.5	28.8	29.6	31.7	33.4
Professionals	16.5	14.3	13.5	14.5	14.8	16.6	17.1	17.9	19.7	20.6	19.5	24.3	27.8	29.6	30.2	31.9	34.4	37.9	42	46.5	52.3	55.8	57.6	61
Technicians and associate professionals	20.4	19.1	20.3	20.1	20.1	21.5	23.1	24.1	24.7	24.3	24.5	23	24.4	25.8	26.4	28.6	30.1	31.8	35.5	36.9	35.3	34.7	36.7	37.9
Clerical support workers	18.2	19.6	17.9	16.5	16.6	17.7	18	18.7	18.4	18.7	19.8	18.9	19.8	20.4	20.6	21.8	22.2	22.7	26.3	27.2	27.2	27.8	28.7	30.6
Service and sales workers	18.8	20.5	20	21.6	22.2	21.7	23.1	24	25.4	26.9	27.4	32.4	33.3	34.8	38.4	40.6	44.1	45.1	47	47.7	49.1	49	51.8	56.2
Skilled agricultural, forestry and fishery workers	2.3	2.3	2.6	2.7	2.7	2	2.7	2.3	2.8	2.1	2.1	1.8	1.6	1.7	1.7	2.2	2	2	2.2	1.9	2	1.6	2	2.4
Craft and related trades workers	20.4	19.3	19.1	21.3	20.5	20.3	19.9	20.7	20.7	19.4	19.1	19.2	18.1	18.7	19	20	20.4	22	22.9	24.7	24	25.6	27.4	30.5
Plant and machine operators and assemblers	18.6	20.2	18.9	16.4	15.6	15.7	13.1	13.8	12.9	12.2	12.9	12.1	11.4	11.7	12.5	11.6	11.8	12.5	11.9	13.1	13.5	13.8	15.1	17
Elementary occupations	16.2	17.9	22.1	19	17.6	18	18.3	19.3	19.2	19.2	19.7	16.6	16.3	16.7	17.7	17.5	17.7	18.9	18.9	20.6	19.2	20.4	23.8	25.5
Armed forces occupations	0	1.9	0	1.8	2	1.7	1.9	1.7	1.6	1.5	1.4	1.9	2.1	1.8	1.8	2.2	2.1	2.1	1.7	1.9	2.1	2.4	2.4	2

Employment, TOTAL	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Managers	6.9%	7.5%	8.2%	9.5%	9.0%	8.8%	8.6%	7.8%	7.7%	8.3%	8.7%	8.6%	9.4%	9.7%	9.9%	9.3%	9.6%	10.1%	10.5%	10.7%	11.4%	11.4%	11.4%	11.3%
Professionals	11.6%	9.8%	9.1%	9.8%	10.2%	11.2%	11.4%	11.6%	12.5%	13.0%	12.1%	14.8%	16.3%	16.6%	16.2%	16.4%	16.8%	17.5%	18.0%	18.8%	20.6%	21.4%	20.8%	20.6%
Technicians and associate professionals	14.3%	13.1%	13.7%	13.6%	13.8%	14.5%	15.4%	15.6%	15.7%	15.4%	15.3%	14.0%	14.3%	14.4%	14.1%	14.7%	14.7%	14.7%	15.2%	14.9%	13.9%	13.3%	13.2%	12.8%
Clerical support workers	12.8%	13.4%	12.1%	11.2%	11.4%	11.9%	12.0%	12.1%	11.7%	11.8%	12.3%	11.5%	11.6%	11.4%	11.0%	11.2%	10.9%	10.5%	11.3%	11.0%	10.7%	10.7%	10.3%	10.3%
Service and sales workers	13.2%	14.0%	13.5%	14.6%	15.3%	14.6%	15.4%	15.5%	16.1%	17.0%	17.1%	19.7%	19.5%	19.5%	20.6%	20.9%	21.6%	20.8%	20.2%	19.3%	19.4%	18.8%	18.7%	19.0%
Skilled agricultural, forestry and fishery workers	1.6%	1.6%	1.8%	1.8%	1.9%	1.3%	1.8%	1.5%	1.8%	1.3%	1.3%	1.1%	0.9%	1.0%	0.9%	1.1%	1.0%	0.9%	0.9%	0.8%	0.8%	0.6%	0.7%	0.8%
Craft and related trades workers	14.3%	13.2%	12.9%	14.4%	14.1%	13.7%	13.2%	13.4%	13.1%	12.3%	11.9%	11.7%	10.6%	10.5%	10.2%	10.3%	10.0%	10.1%	9.8%	10.0%	9.5%	9.8%	9.9%	10.3%
Plant and machine operators and assemblers	13.1%	13.8%	12.8%	11.1%	10.7%	10.6%	8.7%	8.9%	8.2%	7.7%	8.0%	7.4%	6.7%	6.6%	6.7%	6.0%	5.8%	5.8%	5.1%	5.3%	5.3%	5.3%	5.4%	5.7%
Elementary occupations	11.4%	12.2%	14.9%	12.9%	12.1%	12.1%	12.2%	12.5%	12.2%	12.2%	12.3%	10.1%	9.5%	9.4%	9.5%	9.0%	8.7%	8.7%	8.1%	8.3%	7.6%	7.8%	8.6%	8.6%
Armed forces occupations	0.0%	1.3%	0.0%	1.2%	1.4%	1.1%	1.3%	1.1%	1.0%	0.9%	0.9%	1.2%	1.2%	1.0%	1.0%	1.1%	1.0%	1.0%	0.7%	0.8%	0.8%	0.9%	0.9%	0.7%
Undefined rate	0.8%	0.1%	0.9%	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.1%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

Table 6: Employment (15-64 age bracket) by occupation, as total and as a percentage of total workforce, for the period between 2000 and 2023.

Employment, MALES	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	99	102.7	101.8	102.9	102.3	102.6	103.8	104.6	105	104.4	105	106.2	106.9	109.7	113.1	118	123.2	129.4	137.7	148.2	150.6	153.4	161.1	174.9
Managers	8.1	9.3	10	11.3	11.3	10.7	10.5	9.9	10	10.2	10.8	10.7	11.6	12.3	13.4	13.2	14.1	15.5	17.3	18.5	20.7	20.8	20.9	21.6
Professionals	9	8.7	8.1	8.2	8	9.5	9.4	9.4	10.6	10.7	9.9	12.3	13.9	15.2	15.4	15.4	16.4	19.3	20.8	23.6	25.8	27.2	28.2	30.9
Technicians and associate professionals	14.3	12.4	12.2	13.2	13.8	14	14.5	15.5	15.6	14.2	14.1	16.1	16.5	16.3	16.4	17	18.8	20.3	22.3	23.9	22.4	22.5	23.6	23.9
Clerical support workers	7.9	9.1	8.3	6	6.3	7.3	8	7.6	7.2	8.2	8.2	7.6	7.9	7.3	8.3	9.9	9.4	8.6	10.9	11.1	11.6	10.9	11.2	12.8
Service and sales workers	11.7	13.3	12.3	13	13.2	12.5	13.8	13.8	13.9	14.9	15.1	16.3	16.2	16.5	16.9	18.5	20	19.6	20	20.5	20.3	19.5	19.8	23.5
Skilled agricultural, forestry and fishery workers	2.1	2.2	2.6	2.5	2.5	1.9	2.6	2.2	2.7	1.9	2	1.7	1.4	1.5	1.5	2.1	2	1.9	2.1	1.8	1.9	1.4	1.7	2.2
Craft and related trades workers	19.8	18.4	18.7	20.5	19.5	20	19.5	20.1	20.2	18.9	18.7	18.3	17.3	17.9	18	19.1	19.4	20.6	21.7	23.7	22.3	24.6	26.2	28.6
Plant and machine operators and assemblers	11.9	13.6	12.2	11.1	11.5	11.2	9	9.9	9.6	9.4	9.7	9.1	8.8	9.1	9.4	8.8	9	9.1	8.5	9.7	11.5	10.5	12.1	13.2
Elementary occupations	13	13.9	16.1	15.4	14.2	13.9	14.5	14.6	13.6	14.5	15	12.3	11.4	11.7	12	12.1	12.1	12.6	12.4	13.7	12	13.6	15	16.4
Armed forces occupations	0	1.9	0	1.7	2	1.6	1.9	1.7	1.6	1.5	1.4	1.7	2	1.8	1.7	2	2	2	1.6	1.7	2	2.3	2.3	1.9

Employment, MALES	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Managers	8.2%	9.1%	9.8%	11.0%	11.0%	10.4%	10.1%	9.5%	9.5%	9.8%	10.3%	10.1%	10.9%	11.2%	11.8%	11.2%	11.4%	12.0%	12.6%	12.5%	13.7%	13.6%	13.0%	12.3%
Professionals	9.1%	8.5%	8.0%	8.0%	7.8%	9.3%	9.1%	9.0%	10.1%	10.2%	9.4%	11.6%	13.0%	13.9%	13.6%	13.1%	13.3%	14.9%	15.1%	15.9%	17.1%	17.7%	17.5%	17.7%
Technicians and associate professionals	14.4%	12.1%	12.0%	12.8%	13.5%	13.6%	14.0%	14.8%	14.9%	13.6%	13.4%	15.2%	15.4%	14.9%	14.5%	14.4%	15.3%	15.7%	16.2%	16.1%	14.9%	14.7%	14.6%	13.7%
Clerical support workers	8.0%	8.9%	8.2%	5.8%	6.2%	7.1%	7.7%	7.3%	6.9%	7.9%	7.8%	7.2%	7.4%	6.7%	7.3%	8.4%	7.6%	6.6%	7.9%	7.5%	7.7%	7.1%	7.0%	7.3%
Service and sales workers	11.8%	13.0%	12.1%	12.6%	12.9%	12.2%	13.3%	13.2%	13.2%	14.3%	14.4%	15.3%	15.2%	15.0%	14.9%	15.7%	16.2%	15.1%	14.5%	13.8%	13.5%	12.7%	12.3%	13.4%
Skilled agricultural, forestry and fishery workers	2.1%	2.1%	2.6%	2.4%	2.4%	1.9%	2.5%	2.1%	2.6%	1.8%	1.9%	1.6%	1.3%	1.4%	1.3%	1.8%	1.6%	1.5%	1.5%	1.2%	1.3%	0.9%	1.1%	1.3%
Craft and related trades workers	20.0%	17.9%	18.4%	19.9%	19.1%	19.5%	18.8%	19.2%	19.2%	18.1%	17.8%	17.2%	16.2%	16.3%	15.9%	16.2%	15.7%	15.9%	15.8%	16.0%	14.8%	16.0%	16.3%	16.4%
Plant and machine operators and assemblers	12.0%	13.2%	12.0%	10.8%	11.2%	10.9%	8.7%	9.5%	9.1%	9.0%	9.2%	8.6%	8.2%	8.3%	8.3%	7.5%	7.3%	7.0%	6.2%	6.5%	7.6%	6.8%	7.5%	7.5%
Elementary occupations	13.1%	13.5%	15.8%	15.0%	13.9%	13.5%	14.0%	14.0%	13.0%	13.9%	14.3%	11.6%	10.7%	10.7%	10.6%	10.3%	9.8%	9.7%	9.0%	9.2%	8.0%	8.9%	9.3%	9.4%
Armed forces occupations	0.0%	1.9%	0.0%	1.7%	2.0%	1.6%	1.8%	1.6%	1.5%	1.4%	1.3%	1.6%	1.9%	1.6%	1.5%	1.7%	1.6%	1.5%	1.2%	1.1%	1.3%	1.5%	1.4%	1.1%
Undefined rate	1.2%	0.0%	1.3%	0.0%	0.0%	0.0%	0.1%	0.0%	0.0%	0.0%	0.1%	0.1%	0.0%	0.1%	0.1%	0.0%	0.0%	0.0%	0.1%	0.0%	0.1%	0.1%	0.1%	0.0%

Table 7: Employment (15-64 age bracket) by occupation, as total and as a percentage of total workforce, for the period between 2000 and 2023.

Employment, FEMALES	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Total	43.4	43.5	46.1	44.9	43	45.7	46.4	50	52.7	53.5	55.5	58.2	63.7	68.9	73.7	76.4	81.4	87.4	95.1	98.8	102.9	107.1	116.2	121.5
Managers	1.8	1.7	2.2	2.7	1.7	2.4	2.4	2.2	2.1	2.8	3.2	3.5	4.4	5	5	5	5.5	6.4	7.2	8	8.1	8.7	10.8	11.9
Professionals	7.4	5.6	5.4	6.2	6.8	7.1	7.7	8.5	9.1	9.9	9.6	12	13.9	14.4	14.8	16.5	18	18.5	21.1	22.9	26.5	28.6	29.4	30.1
Technicians and associate professionals	6.1	6.7	8.1	6.9	6.4	7.5	8.7	8.6	9.2	10	10.4	6.9	7.9	9.5	10	11.6	11.3	11.5	13.2	13.1	12.9	12.2	13.1	13.9
Clerical support workers	10.3	10.5	9.6	10.4	10.3	10.4	10	11.2	11.3	10.5	11.6	11.3	11.9	13	12.4	11.9	12.8	14.1	15.4	16.1	15.6	16.8	17.5	17.8
Service and sales workers	7.1	7.2	7.7	8.5	9	9.2	9.3	10.2	11.5	12.1	12.3	16.1	17	18.3	21.5	22.1	24.1	25.6	26.9	27.2	28.7	29.5	32.1	32.8
Skilled agricultural, forestry and fishery workers	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
Craft and related trades workers	0	0	0	0	0	0	0	0.6	0.5	0.5	0.4	0.9	0.9	0.8	1	0.8	1	1.4	1.2	1	1.7	1	1.2	1.9
Plant and machine operators and assemblers	6.8	6.7	6.7	5.3	4.1	4.5	4.1	3.8	3.3	2.9	3.2	3	2.6	2.6	3.1	2.8	2.9	3.4	3.5	3.4	2	3.3	3	3.7
Elementary occupations	3.2	4	6.1	3.6	3.5	4.1	3.8	4.7	5.6	4.6	4.6	4.3	4.9	5	5.7	5.4	5.6	6.3	6.4	6.9	7.1	6.7	8.7	9.1
Armed forces occupations	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0

Employment, FEMALES	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Managers	4.1%	3.9%	4.8%	6.0%	4.0%	5.3%	5.2%	4.4%	4.0%	5.2%	5.8%	6.0%	6.9%	7.3%	6.8%	6.5%	6.8%	7.3%	7.6%	8.1%	7.9%	8.1%	9.3%	9.8%
Professionals	17.1%	12.9%	11.7%	13.8%	15.8%	15.5%	16.6%	17.0%	17.3%	18.5%	17.3%	20.6%	21.8%	20.9%	20.1%	21.6%	22.1%	21.2%	22.2%	23.2%	25.8%	26.7%	25.3%	24.8%
Technicians and associate professionals	14.1%	15.4%	17.6%	15.4%	14.9%	16.4%	18.8%	17.2%	17.5%	18.7%	18.7%	11.9%	12.4%	13.8%	13.6%	15.2%	13.9%	13.2%	13.9%	13.3%	12.5%	11.4%	11.3%	11.4%
Clerical support workers	23.7%	24.1%	20.8%	23.2%	24.0%	22.8%	21.6%	22.4%	21.4%	19.6%	20.9%	19.4%	18.7%	18.9%	16.8%	15.6%	15.7%	16.1%	16.2%	16.3%	15.2%	15.7%	15.1%	14.7%
Service and sales workers	16.4%	16.6%	16.7%	18.9%	20.9%	20.1%	20.0%	20.4%	21.8%	22.6%	22.2%	27.7%	26.7%	26.6%	29.2%	28.9%	29.6%	29.3%	28.3%	27.5%	27.9%	27.5%	27.6%	27.0%
Skilled agricultural, forestry and fishery workers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Craft and related trades workers	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	1.2%	0.9%	0.9%	0.7%	1.5%	1.4%	1.2%	1.4%	1.0%	1.2%	1.6%	1.3%	1.0%	1.7%	0.9%	1.0%	1.6%
Plant and machine operators and assemblers	15.7%	15.4%	14.5%	11.8%	9.5%	9.8%	8.8%	7.6%	6.3%	5.4%	5.8%	5.2%	4.1%	3.8%	4.2%	3.7%	3.6%	3.9%	3.7%	3.4%	1.9%	3.1%	2.6%	3.0%
Elementary occupations	7.4%	9.2%	13.2%	8.0%	8.1%	9.0%	8.2%	9.4%	10.6%	8.6%	8.3%	7.4%	7.7%	7.3%	7.7%	7.1%	6.9%	7.2%	6.7%	7.0%	6.9%	6.3%	7.5%	7.5%
Armed forces occupations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Undefined rate	1.6%	2.5%	0.7%	2.9%	2.8%	1.1%	0.9%	0.4%	0.2%	0.4%	0.4%	0.3%	0.3%	0.4%	0.3%	0.4%	0.2%	0.2%	0.2%	0.2%	0.3%	0.3%	0.3%	0.2%

Table 8: Employment (15-64 age bracket) by occupation, as total and as a percentage of total workforce, for the period between 2000 and 2023.

The transformation of the Maltese labour market can be directly observed in the nominal and real labour productivity indicators. Starting off with the latter, the nominal labour productivity per person increased by €28,200, reaching €66,900 in 2023. Similarly, the nominal labour productivity per hour worked increased by €23, reaching €36.20 in 2023 (refer to figure 23). [26]In real terms, the real labour productivity per person employed indicator, i.e., GDP in volume terms (real) divided by total employment (employees and self-employed), increased to 112 in 2023 from 78 in 2000 (whereby figures are benchmarked against 2015, i.e., 2015=100). Similarly, the real labour productivity per hour worked indicator, i.e., GDP in volume terms (real) divided by total hours worked by employees and self-employed, increased to 113 in 2023 from 68.4 in 2000 (refer to figure 24).[27]

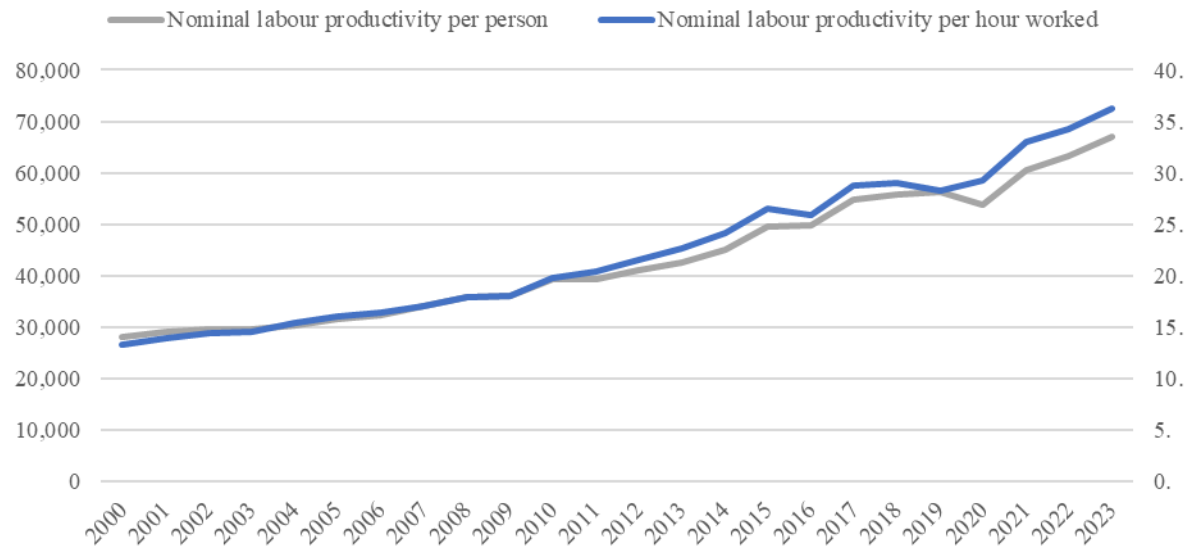

Figure 23: Nominal labour productivity per worker and hour worked, for the period between 2000 and 2032.

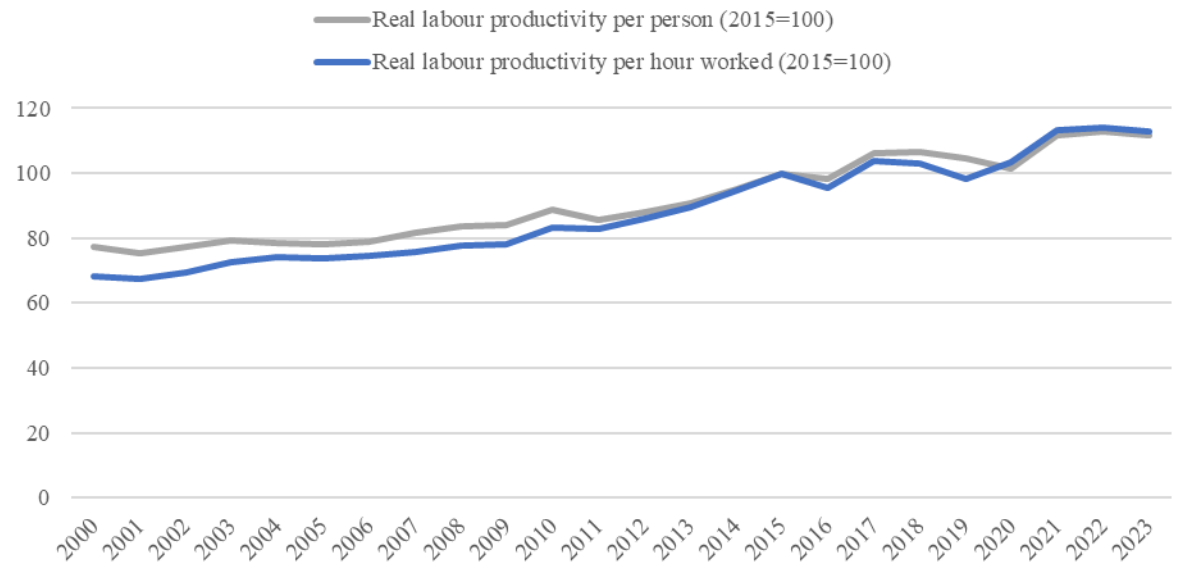

Figure 24: Real labour productivity per worker and hour worked, for the period between 2000 and 2023.

[26] [nama_10r_2nlp] Nominal Labour productivity by NUTS 2 region.
[27] [nama_10r_2rlp] Real Labour productivity by NUTS 2 region.

Disaggregating real labour productivity for the period between 2000 and 2023 by industry/sector, according to tables 9 and 10, the top sectors in terms of both real labour productivity per person and per hour worked growth, are:

i. The information and communication sector reported 99.3 (reaching 159.1 in 2023) and 121.9 (reaching 173.7 in 2023) increases in real labour productivity per person and hours worked, respectively;
ii. The industry (excluding construction) sector reported 56.5 (reaching 128.9 in 2023) and 70.7 (reaching 127.5 in 2023) increases in real labour productivity per person and hours worked, respectively;
iii. The financial and insurance activities sector reported 54.1 (reaching 123.2 in 2023) and 62.8 (reaching 118.7 in 2023) increases in real labour productivity per person and hours worked, respectively;
iv. The manufacturing sector reported 46.6 (reaching 124.0 in 2023) and 60.8 (reaching 127.5 in 2023) increases in real labour productivity per person and hours worked, respectively.[28]

[28] https://ec.europa.eu/eurostat/databrowser/view/nama_10_lp_ulc__custom_15624698/default/table?lang=en.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, forestry and fishing	92.442	111.504	112.187	109.524	106.483	136.277	140.189	124.671	70.972	97.907	96.909	78.553	79.613	86.49	95.962	100.	116.672	87.742	90.595	65.046	102.667	146.833	132.592	118.459
Industry (except construction)	72.021	61.371	66.061	73.866	70.589	69.989	72.28	79.696	95.696	91.386	98.001	88.406	89.414	91.658	90.737	100.	102.894	99.118	106.162	112.064	111.814	116.842	124.155	128.869
Mining and quarrying	Confidential																							
Manufacturing	77.462	64.49	69.936	78.584	75.419	76.888	78.225	86.237	106.795	97.974	109.023	105.611	114.384	106.736	103.223	100.	97.687	100.992	105.468	111.446	113.044	115.703	124.663	124.039
Electricity, gas, steam and air conditioning supply	Confidential																							
Water supply; sewerage, waste management and remediation activities	96.515	90.449	91.152	115.261	86.665	86.6	73.593	82.694	92.948	88.015	91.075	83.463	79.785	80.157	83.066	100.	100.524	96.355	108.038	116.366	105.848	104.982	104.74	115.188
Construction	123.223	122.025	151.872	167.073	158.009	144.875	120.14	86.16	88.592	85.497	104.963	95.092	92.71	104.379	93.773	100.	99.252	114.646	126.177	145.682	133.824	129.431	112.704	98.483
Wholesale and retail trade, transport, accommodation and food service activities	89.127	86.652	84.112	83.28	80.611	78.295	78.721	82.609	79.709	76.231	78.868	80.784	81.912	87.57	87.53	100.	93.044	98.919	99.855	98.77	61.22	79.84	99.782	97.344
Wholesale and retail trade; repair of motor vehicles and motorcycles	77.439	73.294	72.171	72.685	70.503	72.828	73.274	74.942	73.273	69.611	77.035	81.18	81.443	86.281	86.752	100.	89.883	95.385	94.21	98.272	84.859	102.606	122.498	111.816
Transportation and storage	110.204	115.305	107.454	103.806	101.251	89.418	94.736	106.346	102.738	98.026	87.493	82.327	87.825	90.63	92.769	100.	100.852	105.087	109.758	110.622	60.608	83.47	97.514	101.77
Accommodation and food service activities	93.775	89.385	90.82	90.443	85.592	79.679	75.603	77.883	73.483	70.525	73.933	78.551	76.369	87.528	84.951	100.	93.046	100.888	101.821	88.808	24.646	39.692	66.	70.829
Information and communication	59.711	63.499	66.021	72.482	77.867	74.724	79.282	73.949	69.177	66.61	75.177	83.582	86.869	81.829	98.258	100.	116.28	127.108	137.785	149.053	144.242	161.751	162.564	159.059
Financial and insurance activities	69.085	65.186	60.196	67.188	78.633	93.542	101.766	103.002	87.681	97.48	101.034	89.061	98.783	98.66	92.145	100.	107.162	112.114	108.328	111.295	121.739	119.741	114.471	123.199
Professional, scientific and technical activities; administrative and support service activities	96.34	97.561	98.991	98.157	91.787	92.778	93.914	90.147	84.434	79.214	89.029	88.704	95.809	94.647	91.502	100.	104.145	110.011	106.702	108.485	94.94	106.56	108.305	107.19
Professional, scientific and technical activities	86.872	85.573	90.156	90.748	84.108	88.733	89.369	87.227	86.903	77.128	85.807	87.114	93.605	88.193	91.938	100.	107.163	112.408	101.138	105.439	97.397	102.449	105.322	100.296
Administrative and support service activities	108.567	112.014	108.214	107.275	101.952	97.218	98.759	92.974	83.468	81.518	90.86	88.382	96.243	101.029	90.737	100.	101.037	110.475	116.125	115.534	94.068	113.472	115.2	119.835
Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organizations and bodies	50.484	56.733	61.159	68.939	60.03	76.082	71.603	88.178	115.098	109.572	93.125	86.297	80.676	83.317	104.993	100.	76.5	73.906	70.043	67.454	70.643	79.398	77.757	78.613
Arts, entertainment and recreation	50.071	57.802	64.712	71.227	65.197	92.416	78.67	101.491	132.189	119.027	95.63	90.497	81.922	86.48	109.023	100.	70.669	64.551	60.592	55.97	59.201	65.491	65.243	66.637
Other service activities	118.827	125.194	130.712	144.805	117.505	114.283	113.613	115.477	113.445	111.213	112.272	101.622	99.706	95.188	97.971	100.	93.974	96.764	93.63	101.038	91.504	100.185	100.873	97.862

Table 9: Real labour productivity per worker by industry/sector (NACE code), for the period between 2000 and 2023.

	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
Agriculture, forestry and fishing	87.024	110.787	101.964	93.149	93.961	125.498	122.966	120.337	69.312	96.847	87.178	69.908	82.341	95.099	99.881	100.	104.242	83.095	86.602	64.108	96.811	172.517	147.549	140.248
Industry (except construction)	62.799	55.848	58.478	67.538	64.778	63.654	66.832	73.085	87.001	83.888	92.831	86.154	87.181	89.709	89.181	100.	99.885	98.683	102.36	102.593	109.582	114.291	124.248	133.455
Mining and quarrying	Confidential																							
Manufacturing	66.752	57.561	60.827	70.992	68.592	69.493	71.717	78.683	96.225	89.06	102.664	102.202	111.05	103.759	101.222	100.	94.004	99.957	101.026	101.513	109.984	112.279	123.768	127.507
Electricity, gas, steam and air conditioning supply	Confidential																							
Water supply; sewerage, waste management and remediation activities	84.389	82.894	81.292	105.557	79.267	78.042	66.792	73.787	81.513	78.748	84.213	79.062	77.456	76.718	80.194	100.	95.945	95.201	103.839	106.175	103.428	102.965	105.048	118.815
Construction	106.038	110.706	134.423	151.907	156.142	135.527	109.895	77.157	79.744	77.537	99.126	92.493	91.318	102.597	94.713	100.	95.909	116.932	121.96	130.178	121.155	122.523	107.696	94.958
Wholesale and retail trade, transport, accommodation and food service activities	77.257	79.165	73.612	73.429	77.967	72.623	71.72	76.729	73.767	70.268	74.14	77.69	79.39	86.152	89.416	100.	90.092	100.643	99.519	96.535	70.878	88.197	112.732	108.886
Wholesale and retail trade; repair of motor vehicles and motorcycles	65.252	64.944	61.391	62.693	67.108	67.242	66.571	69.548	67.863	64.49	72.358	78.25	79.748	85.306	89.376	100.	87.674	97.191	93.188	94.778	96.524	111.679	135.906	122.892
Transportation and storage	92.678	102.866	91.459	89.364	96.506	81.52	84.334	96.304	92.508	88.119	79.813	78.165	84.751	88.688	93.659	100.	95.587	102.754	103.097	100.696	64.64	85.352	101.511	104.623
Accommodation and food service activities	89.068	89.73	86.591	85.171	86.547	76.021	71.198	74.952	70.794	66.359	72.374	77.349	73.923	86.457	87.01	100.	90.721	106.834	109.98	96.654	32.406	49.346	85.117	90.781
Information and communication	51.877	56.728	58.715	64.558	68.057	63.995	68.835	65.581	59.288	55.148	66.966	77.389	80.011	78.282	99.476	100.	114.625	125.428	140.894	143.388	140.511	166.571	170.558	173.742
Financial and insurance activities	55.887	56.65	52.396	57.725	68.336	82.425	87.143	87.557	74.223	85.261	90.042	82.693	90.985	93.819	88.87	100.	104.347	106.372	102.444	97.803	111.313	111.345	108.586	118.716
Professional, scientific and technical activities; administrative and support service activities	80.116	83.615	84.486	84.971	83.782	76.739	80.52	76.743	71.454	67.565	74.064	76.605	85.153	84.478	86.512	100.	103.166	109.976	107.343	107.352	101.248	109.33	113.915	118.548
Professional, scientific and technical activities	71.621	72.498	76.49	77.934	77.446	74.502	78.328	76.233	75.26	68.571	74.264	77.331	85.48	80.98	88.46	100.	104.927	109.227	96.93	98.424	97.774	98.658	103.063	102.639
Administrative and support service activities	90.887	96.707	92.366	93.345	92.589	79.407	83.195	77.504	69.764	67.455	73.071	74.451	83.488	87.934	84.726	100.	100.976	112.908	121.095	119.364	104.895	122.046	127.734	140.203
Arts, entertainment and recreation; other service activities; activities of household and extra-territorial organizations and bodies	36.102	44.865	44.976	52.029	46.399	56.423	55.091	69.748	96.025	91.864	83.551	78.443	75.664	79.598	105.561	100.	74.79	79.643	71.223	66.92	75.279	84.185	86.051	86.716
Arts, entertainment and recreation	34.45	44.531	45.381	51.9	48.251	68.643	62.066	82.166	111.137	102.447	88.896	83.643	76.989	81.611	109.135	100.	69.188	71.098	62.152	55.707	63.063	69.223	71.645	73.083
Other service activities	92.077	106.511	104.354	117.916	98.162	89.279	89.945	93.225	96.563	92.845	98.569	91.828	93.284	91.858	98.801	100.	91.541	100.395	92.252	98.011	95.063	104.362	108.801	104.604

Table 10: Real labour productivity per hour worked by industry/sector (NACE code), for the period between 2000 and 2023.

Going forward, wages are closely interlinked with labour productivity, with productivity growth being a key driver of long-term wage increases. Theoretically speaking, when workers produce more output per hour, businesses generate higher revenues and can afford to pay higher wages without compromising profitability. In this way, rising labour productivity often leads to improved compensation for employees, helping to support real income growth and living standards. Conversely, when productivity stagnates, wage growth tends to slow, limiting workers' purchasing power and potentially widening income inequality. In other words, the increase in nominal and real productivity is expected to be mirrored when similarly plotting wage levels over time. In fact, and in reference to Labour Force Survey (LFS) quarterly data statistics for the period between the first quarter of 2005 and the fourth quarter of 2024, the mean annual basic salary [29] for employees has increased from €12,174 to €23,964 [30](refer to figure 25 below).[31]

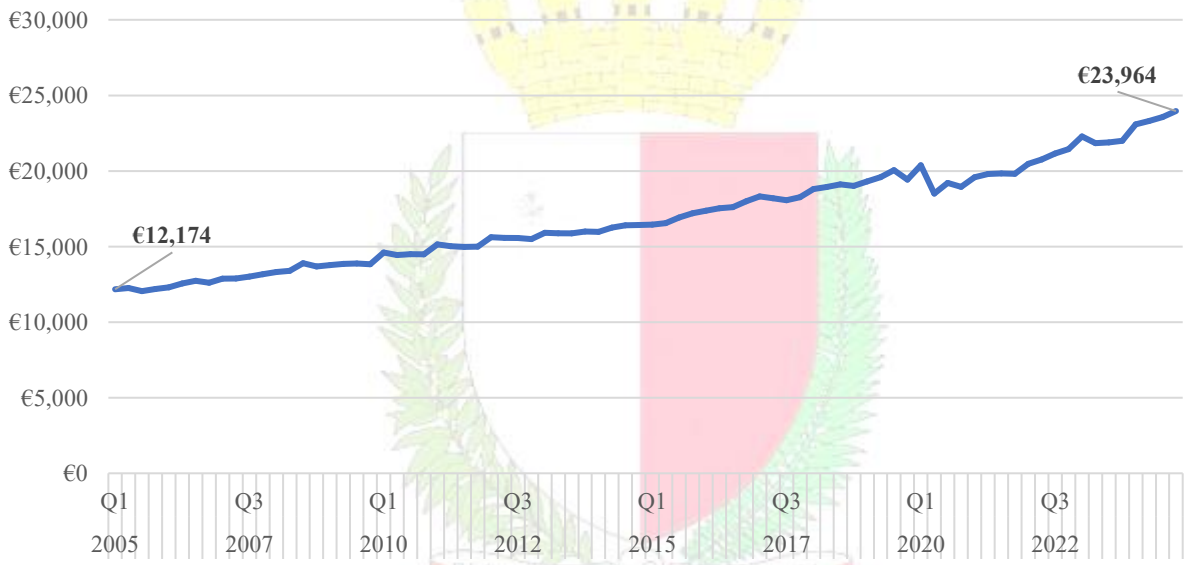

Figure 25: Mean annual basic salary for employees, for the period between Q1 2005 & Q4 2024.

In conclusion, and as documented by Grech (2025)[32], over the past decade Malta's labour market has undergone an extraordinary transformation, moving from one of the lowest employment rates in the EU to one of the highest. Between 2013 and 2023, the number of employed individuals in Malta surged by two-thirds, surpassing the growth achieved in the previous 50 years combined. This increase coincided with Malta's economy nearly doubling in real terms. Contrary to initial concerns in the early 2010s that an aging population would hinder economic growth and employment, policy interventions, along with a strong influx of foreign workers, played a crucial role in reshaping labour supply dynamics. The employment of Maltese workers increased significantly, with structural labour market reforms offsetting demographic challenges that would have otherwise led to a decline in the workforce. These

[29] Mean annual basic salary refers to the average annual basic salary received by employees before any social contributions and tax deductions. This amount excludes payments for overtime, allowances and bonuses.
[30] Due to revisions, the values are not reflective of the final LFS revisions. Although, differences are extremely minimal.
[31] https://nso.gov.mt/selected-indicators/.
[32] Grech, Aaron, Understanding Recent Labour Supply Dynamics in Malta (February 14, 2025). Central Bank of Malta Discussion Paper 1/2025.

policy-driven changes, alongside shifting sectoral trends, contributed to the unprecedented employment expansion.

A major driver behind this transformation was a set of strategic labour market policies implemented by the Maltese government. One of the most impactful reforms was the gradual increase in the pension age, which began in 2012 and incentivized older workers to remain employed longer. The government introduced financial incentives in 2016 to encourage individuals to delay retirement, effectively doubling the number of workers aged 61 and above. Without these pension reforms, the study estimated that 8,600 fewer Maltese workers would have remained in employment by 2023. Additionally, policies aimed at increasing female labour market participation significantly altered the employment landscape. The introduction of free childcare services in 2014 had a particularly strong effect, helping to break the cycle where women tended to leave the workforce after their first childbirth and only return years later. Before this reform, there was a noticeable dip in the employment rate of women after childbirth, but the introduction of free childcare prevented this from happening in later cohorts. Other measures, such as the tapering of social benefits, which allowed individuals to gradually transition from welfare to employment, further contributed to higher workforce participation. The study also notes that these policy interventions collectively accounted for approximately two-thirds of the increase in Maltese employment over the decade.

While domestic policies significantly boosted labour supply, the rapid expansion of Malta's economy created a strong demand for foreign workers, who made up about three-quarters of the overall employment growth. Data shows that the public sector workforce grew modestly, mainly in education and healthcare, and had minimal impact on the demand for foreign labour. Instead, the expansion of foreign employment was driven by the structural transformation of Malta's economy. High-growth industries such as information technology, financial services, professional and scientific activities, and remote gaming attracted young, educated Maltese workers, leaving traditional sectors such as manufacturing, construction, retail, and hospitality reliant on foreign labour. The shift in employment preferences among Maltese workers was largely due to their higher educational attainment, which allowed them to move into better-paying and more knowledge-intensive jobs. Meanwhile, aging workforces in key sectors, particularly construction, retail, and transport, necessitated an influx of foreign labour to fill workforce gaps.

As the economy evolved, the characteristics of labour supply also changed. The employment rate among older Maltese workers increased due to pension reforms, but there is still untapped potential in this demographic. Despite Malta's high overall employment rate, the employment rate for individuals over 50 remains challenging. The biggest hurdle in activating this group is their relatively low level of educational attainment, which makes them less adaptable to emerging labour market demands. Additionally, certain sectors, particularly hospitality and administrative support, remain highly dependent on foreign workers, as automation and technological advances are unlikely to replace jobs in these industries at the same pace as in other sectors. While Malta's economy has successfully navigated its labour market challenges thus far, sustaining future growth will require a shift from policies that focus on labour force expansion to those that prioritize skills development and lifelong learning. Strengthening vocational training and upskilling initiatives will be crucial to reducing reliance on foreign labour while maintaining productivity gains. Investments in human capital, particularly among

older workers and those in declining sectors, will be essential for balancing labour supply with economic growth.

Malta's labour market transformation over the past decade has been remarkable, largely driven by government policies that increased the participation of women and older workers while attracting foreign labour to meet economic demands. However, challenges remain in ensuring long-term sustainability, particularly given the domestic-to-foreign labour ratio and preparing the domestic workforce for future labour market shifts. Moving forward, labour market strategies must focus on continuous learning and workforce adaptability to sustain economic growth in a changing global environment.

The Macro Economic Assumptions

When projecting pensions, demographic assumptions rely on the latest population projections provided by Eurostat (2022), EUROPOP2023, and labour force changes predicted by the Cohort Simulation Model. Meanwhile, macroeconomic assumptions stem from the Methodology commonly agreed upon by the Economic Policy Committee. Except for the 2004 modelling, earlier reform baseline models were constructed using the underlying macroeconomic assumptions and projection methodologies employed for the periodic AWG Ageing Report. This report evaluates the sustainability of age-related expenses encompassing pensions, long-term care, health, education, and unemployment benefits. Below, Table 11 outlines the macroeconomic assumptions forming the foundation of the 2024 Ageing Report.[33]

Macroeconomic assumptions	AVG 22-70	2022	2030	2040	2050	2060	2070
Potential GDP (growth rate)	2.1	5.9	3.8	2.5	1.3	0.7	0.8
Employment (15-74y; growth rate)	0.6	4.4	1.9	0.9	-0.1	-0.6	-0.4
Labour input: hours worked (growth rate)	0.5	3.3	1.9	0.9	-0.1	-0.6	-0.4
Labour productivity per hour (growth rate)	1.6	2.6	1.9	1.6	1.4	1.3	1.2
TFP (growth rate)	1.0	1.1	1.2	1.0	0.9	0.8	0.8
capital deepening (contribution to labour productivity growth)	0.6	1.5	0.6	0.6	0.5	0.5	0.4
Potential GDP per capita (growth rate)	1.2	4.2	2.1	1.5	0.6	0.3	0.7
Potential GDP per worker (growth rate)	1.5	1.5	1.8	1.6	1.4	1.3	1.2
HICP (growth rate)	2.2	6.1	2.0	2.0	2.0	2.0	2.0
Nominal interest rate	4.0	2.4	4.2	4.2	4.0	4.0	4.0

Table 11: 2024 AWG and Updated Baseline Macroeconomic assumptions

The population projections indicate a rise in Malta's total population from 527,806 in 2022 to approximately 810,981 by 2070; whereby net migration inflows are predicted to decline from 11,456 (2022) to 3,992 (2070). To this end, and in reference to the paper titled "Revisions in population projections and their implications for the growth of the Maltese economy", Grech et al. (2017) highlights how revisions to Malta's population projections—particularly those reflecting stronger net migration and changes in the working-age population—have significant implications for pension sustainability (in the context of a PAYG system).

Upward revisions to the working-age population, as discussed in the study, expand the contributor base and support system sustainability by improving the flow of social security contributions relative to pension outlays. Conversely, if migration slows or the labour force

[33] https://economy-finance.ec.europa.eu/document/download/8f7f03d1-fdf4-4992-925e-8d3c4629488e_en?filename=2024-ageing-report-country-fiche-Malta.pdf.

ages faster than expected, the dependency ratio would deteriorate, placing greater fiscal pressure on pension finances.

Ultimately, the study's finding that demographic revisions also influence potential economic growth reinforces this link: stronger growth increases government revenues and the economy's capacity to sustain pension obligations, while weaker growth does the opposite. The paper therefore underscores the need for pension policy in Malta to remain adaptive to demographic and migration trends, continuously updating long-term projections to ensure fiscal and intergenerational balance.

Figure 26 illustrates significant shifts in the age structure: the proportion of young people (aged 0-14 years) is expected to decrease from 13.4% in 2022 to 11.1% in 2070, while the share of those aged 65 and above is anticipated to increase from 19.3% to 33.6%. Economically, the most notable demographic change concerns the working-age population (aged 20-64 years), crucial for supporting the elderly financially. This ratio is projected to decrease from 63.2% in 2022 to 51.5% by 2070.

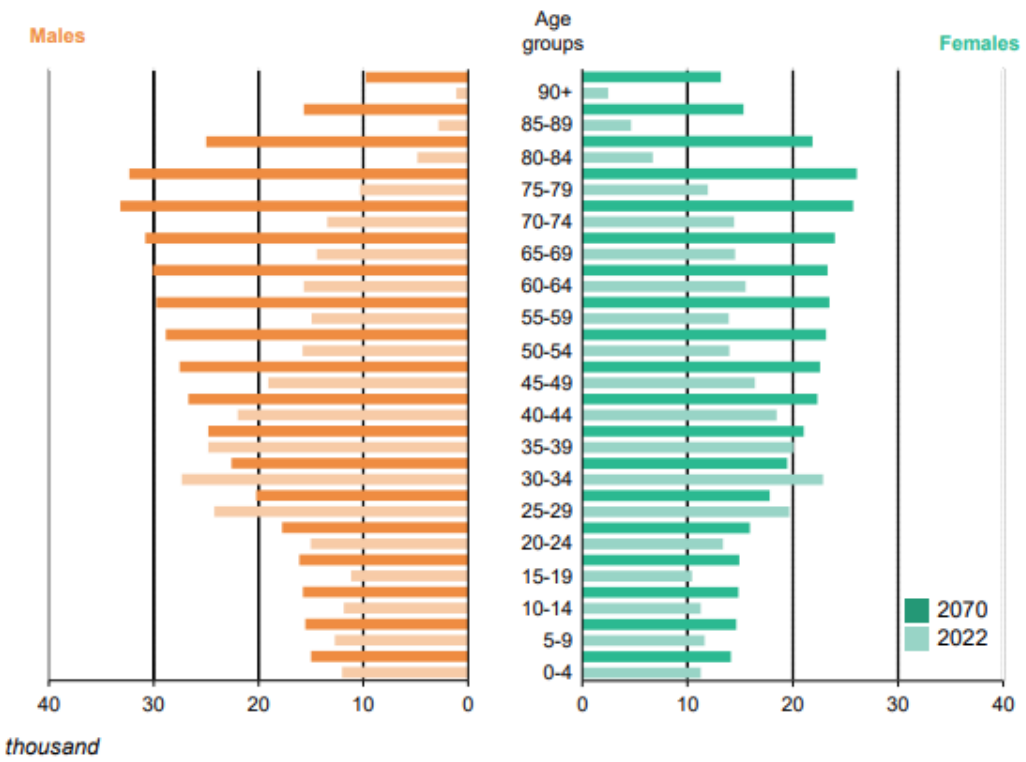

Figure 26: Age Structure: 2022 vs 2070

Life expectancy assumptions suggest a rise for both men and women. Men are expected to reach 87.0 years (an increase of 6.1 years) by 2070, while women are projected to reach 90.8 years (a rise of 6.2 years), maintaining a 3.8-year difference between genders. Additionally, life expectancy at 65 years is expected to increase by 4.5 years for men and 4.6 years for women over the entire period. In a similar vein, survivor rates for both genders over 65 and 80 years old are anticipated to increase steadily from 2022 to 2070.

Key indicators of age dependency presented in Table 12 are the old-age-dependency ratio (calculated for both persons aged 65 years and more relative to the number of individuals aged

20-64 years and for persons aged 75 years or more relative to the number of individuals aged 20-74 years) and the ageing of the aged ratio. Analysing the evolution of demography involves examining the relative share of the elderly compared to the working-age population.

The primary old-age dependency ratio is forecasted to rise consistently from 30.5% in 2022 to 65.4% in 2070. Tweaking the old-age dependency ratio whereby the 75+ year bracket is presented as a percentage of the 20-74 year bracket, the ratio is expected to increase from 11.5% in 2022 to 30.0% in 2070. Meanwhile, the aging of the aged ratio is projected to increase from 22.2% in 2022 to 35.3% in 2040, decline to 29.5% by 2060, and then rise again to 36.9% by 2070.

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MAIN DEMOGRAPHIC VARIABLES	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Population (thousand)	527	610	689	747	790	811	811	2070	284
Population growth rate	1.6%	1.6%	1.0%	0.7%	0.5%	0.1%	2%	2022	-1.5%
Old-age dependency ratio (pop 65+ / pop 20-64)	30.5%	31.0%	30.5%	37.0%	52.6%	65.4%	65.4%	2070	34.9%
Old-age dependency ratio (pop 65+ / pop 20-74)	11.5%	13.7%	14.6%	15.0%	20.1%	30.0%	30.0%	2070	18.5%
Ageing of the aged (pop 80+ / pop 65+)	22.2%	30.7%	35.3%	30.5%	29.5%	36.9%	36.9%	2070	14.7%
Men - Life expectancy at birth	80.9	81.9	83.4	84.7	85.9	87.0	87.0	2070	6.1
Women - Life expectancy at birth	84.6	85.6	87.1	88.5	89.7	90.8	90.8	2070	6.2
Men - Life expectancy at 65 years	19.5	20.3	21.3	22.2	23.1	24.0	24.0	2070	4.5
Women - Life expectancy at 65 years	22.5	23.4	24.4	25.3	26.3	27.1	27.1	2070	4.6
Men - Survivor rate at 65+	89.6	90.8	92.2	93.3	94.2	95.0	95.0	2070	5.4
Women - Survivor rate at 65+	93.3	93.7	94.8	95.6	96.2	96.8	96.8	2070	3.5
Men - Survivor rate at 80+	62.9	66.5	70.7	74.5	77.8	80.8	80.8	2070	17.9
Men - Survivor rate at 80+	75.6	78.4	81.6	84.4	86.7	88.7	88.7	2070	13.1
Net migration (thousand)	11.5	9.4	7.5	6.0	5.1	4.0	11.5	2022	-7
Net migration (% population previous year)	2.2%	1.6%	1.1%	0.8%	0.6%	0.5%	2.2%	2022	0

Table 12: Main demographic variables

Table 13 displays data concerning labour force projections across various age groups: 20-64 years, 20-74 years, 55-64 years, and 65-74 years. The labour force participation rate for individuals aged 55-64 is expected to rise from 55.3% in 2022 to 73.2% in 2048, then decline until 2061 before rebounding to 71.8% in 2070. Concurrently, the employment rate for this age group is projected to increase by 15.7 percentage points, from 54.3% in 2022 to 70.0% in 2070.

MAIN LABOUR FORCE VARIABLES	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Labour force participation rate 20-64	83.3	87.7	88.2	87.2	86.6	87.0	88.2	2040	3.8
Employment rate of workers aged 20-64	81.0	84.5	84.6	83.6	83.1	83.5	84.6	2040	2.5
Share of workers aged 20-64 in the labour force 20-64	97.30	96.30	95.90	95.90	95.90	96.00	97.3	2022	-1.3
Labour force participation rate 20-74	72.8	77.0	78.6	74.7	70.1	70.3	78.6	2040	-2.5
Employment rate of workers aged 20-74	70.8	74.2	75.3	71.7	67.3	67.4	75.3	2040	-3.4
Share of workers aged 20-64 in the labour force 20-74	97.3	96.3	95.9	95.9	95.9	95.9	97.3	2022	-1.4
Labour force participation rate 55-64	55.3	66.1	71.8	73.0	70.9	71.8	73.0	2050	16.5
Employment rate of workers aged 55-64	54.3	64.6	69.8	71.0	69.1	70.0	71.0	2050	15.7
Share of workers aged 55-64 in the labour force 55-64	98.3	97.6	97.3	97.3	97.5	97.5	98.3	2022	-0.8
Labour force participation rate 65-74	11.1	6.6	8.9	9.5	9.4	8.6	11.1	2022	-2.4
Employment rate of workers aged 65-74	10.9	6.4	8.5	9.0	8.9	8.3	10.9	2022	-2.6
Share of workers aged 65-74 in the labour force 65-74	98.20	96.30	95.60	95.50	95.40	95.60	98.2	2022	-2.6
Median age of the labour force	37.0	39.0	42.0	43.0	43.0	43.0	43.0	2050	6.0

Table 13: Participation Rate, Employment Rate and Share of Workers

In Tables 14-16, indicators regarding labour market entry age, exit age, and expected duration of retirement are presented by gender. The average effective exit age for men is anticipated to climb from 62.9 years in 2022 to 63.6 years in 2070, while for women, it is expected to rise from 63.1 years in 2022 to 63.6 years in 2070. This increase accounts for adjustments in the statutory retirement age by 2027, extension of the contributory period, and incentives for delaying retirement.

LABOUR MARKET EXIT BEHAVIOUR, TOTAL	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Average effective retirement age*	63.5	63.2	63.4	63.8	64.2	64.4	64.4	2070	0.9
Average labour market exit age (CSM)**	63.0	63.5	63.6	63.6	63.6	63.6	63.6	2040	0.6
Contributory period	36.4	35.6	36.0	36.4	36.7	37.0	37.0	2070	0.6
Duration of retirement***	23.1	23.2	23.7	24.7	25.6	26.5	26.5	2070	3.4
Duration of retirement/contributory period	63%	65%	66%	68%	70%	72%	72%	2070	9%
Percentage of adult life spent in retirement****	35%	35%	35%	36%	37%	38%	38%	2070	3%
Early/late exit*****	1.0	1.7	2.0	1.8	1.4	2.0	2.0	2040	1.0

Table 14: Labour market exit behaviour for the total population.

LABOUR MARKET EXIT BEHAVIOUR, MALE	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Average effective retirement age*	62.1								
Average labour market exit age (CSM)**	62.9	63.4	63.6	63.6	63.6	63.6	63.6	2040	0.7
Contributory period	40.0	40.3	40.4	40.7	40.9	41.1	41.1	2070	1.1
Duration of retirement***	22.9	22.0	22.1	23.1	24.0	24.9	24.9	2070	2.0
Duration of retirement/contributory period	57%	55%	55%	57%	59%	61%	61%	2070	4%
Percentage of adult life spent in retirement****	36%	34%	34%	35%	36%	36%	36%	2022	0%
Early/late exit*****	1.1	1.7	2.1	1.9	1.5	2.2	2.2	2070	1.1

Table 15: Labour market exit behaviour for the male population.

LABOUR MARKET EXIT BEHAVIOUR, FEMALE	2022	2030	2040	2050	2060	2070	peak value	peak year	change 2022-2070
Average effective retirement age*	65.3								
Average labour market exit age (CSM)**	63.1	63.6	63.6	63.6	63.6	63.6	63.6	2030	0.5
Contributory period	27.0	28.4	29.7	30.9	32.2	33.4	33.4	2070	6.4
Duration of retirement***	23.3	24.3	25.3	26.3	27.2	28.1	28.1	2070	4.8
Duration of retirement/contributory period	86%	85%	85%	85%	85%	84%	86%	2022	-2%
Percentage of adult life spent in retirement****	35%	36%	37%	38%	38%	39%	39%	2070	4%
Early/late exit*****	1.0	1.7	1.9	1.8	1.4	1.9	1.9	2040	0.9

Table 16: Labour market exit behaviour for the female population.

Assessment of the Pension System

Revenue-side of the Pension System

A sustainable pension system relies on a robust and evolving revenue stream, primarily driven by contributions from the working population. In reference to the internal studies assessing the evolution of social security contributions and coverage, utilizing data provided by the Malta Tax and Customs Authority (MTCA) and Department of Social Security (DSS), this section assesses the revenue side of Malta's pension system by examining key factors such as the evolution of contributors, the level and structure of contributions, and wage dynamics. Understanding these elements is crucial for evaluating the system's financial health and its ability to support future retirees.

The analysis will also consider broader economic and demographic trends, including labour market participation, wage growth, and policy measures influencing contribution inflows. By exploring these factors, the long-term viability of Malta's pension revenue framework and potential areas for reform or reinforcement are assessed and identified. Furthermore, this section is further subdivided into the two contributory class systems being the social security contributions class 1 system and the social security contributions class 2 system.

The Social Security Contribution Class 1 system[34] in Malta

Starting off, the data presented in figure 27 reveals significant growth in the number of taxpayers contributing to the social security system, increasing from 151,152 in 2008 to 282,734 in 2023, an approximate 87% rise over 16 years. This upward trend suggests an expanding labour force, better enforcement of contribution policies, and possibly the inclusion of previously uncovered groups.

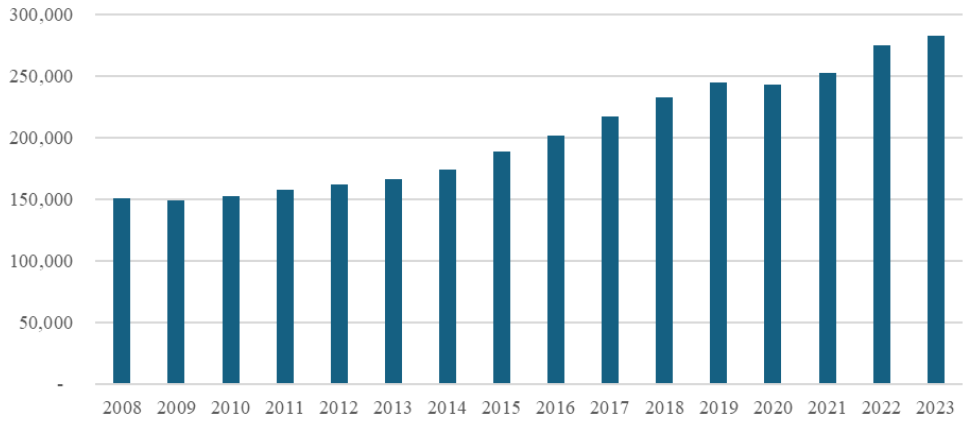

Figure 27: Total taxpayers for the years 2008-2023

[34] In Malta, Class 1 social security contributions are compulsory payments made jointly by employees and employers to support the nation's welfare programs and public healthcare system. Both the employee and employer each pay 10% of the employee's basic weekly salary, with contributions being bound by specific minimum and maximum thresholds, which can differ depending on factors including the employee's date of birth.

Furthermore, figure 28 outlines trends in the number of contributors to a social security system by category from 2008 to 2023. [35]Over this period, the largest group consistently comprises those paying the 10% rate, increasing from 100,182 contributors in 2008 to 175,001 in 2023, reflecting a 74.7% growth. This group represents the backbone of the system, and its steady growth underscores its importance in sustaining contribution revenue. Contributors paying the maximum rate also saw significant growth, rising from 31,111 in 2008 to 82,563 in 2023, marking an increase of 165.4%. The rapid growth is indicative of both an expansion of higher-income earners and the annual adjustments to contribution thresholds that brought more individuals into this category.

Those paying the flat rate (no students) showed modest growth, increasing from 17,228 in 2008 to 19,547 in 2023, representing a 13.5% rise, while students paying the flat rate increased from 2,623 in 2008 to 5,484 in 2023, demonstrating a 109% increase, albeit from a smaller base. The undefined rate category remained negligible throughout the period, with contributions fluctuating from single-digit numbers in earlier years to a peak of 343 in 2018, before declining to 138 in 2023 (outlier systems).

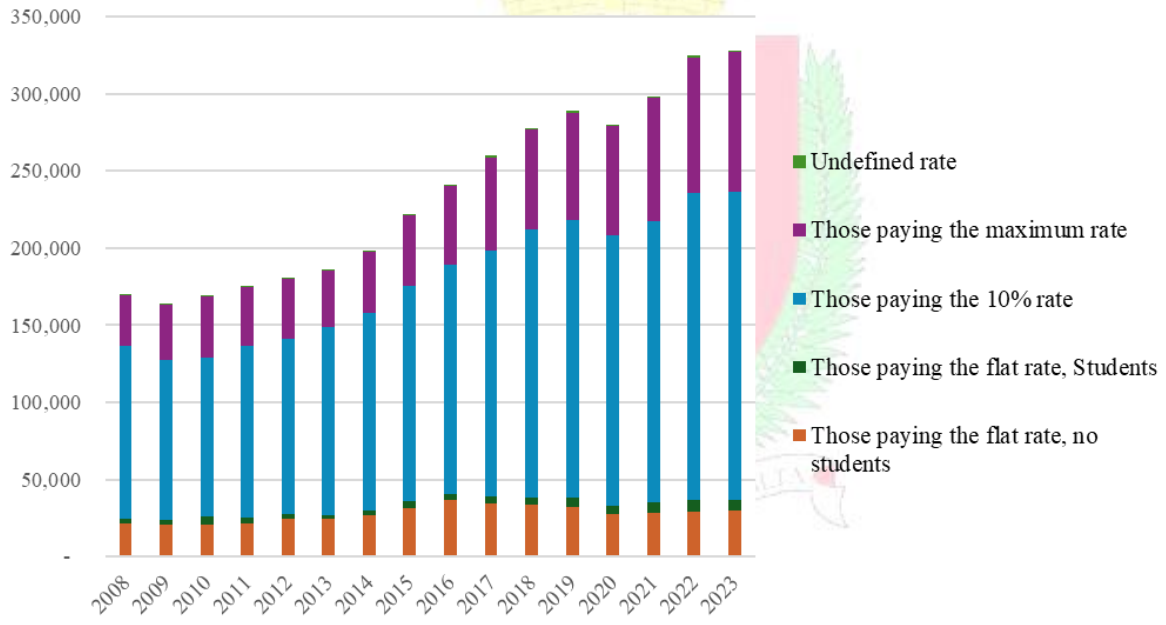

Figure 28: Total taxpayers by category, for the years 2008-2023

Going forward, figure 29 highlights a consistent and significant growth in social security contributions from 2008 to 2023, reflecting both economic and policy-driven changes. Total contributions increased from €315 million in 2008 to €900 million in 2023, marking a nearly 185% rise over 16 years. This upward trend suggests an overall strengthening of the social security system, driven by higher employment levels, wage growth, and adjustments to contribution policies.

As previously identified, the "10% rate" category has consistently been the largest contributor, accounting for 64.6% of total contributions in 2008 and 54.1% in 2023. While its share of the

[35] For full clarity, cross-comparing figures 27 and 28, one will note that the total number of contributors in the latter are higher than number of contributors in the former. This arises that in the case of figure 28, contributors can, during a single year, be paying multiple types (A-F) of social security credits and thus be included in multiple categories.

total has slightly declined, it remains the dominant revenue source, indicating its critical role in the system's financial health. Other categories have also shown notable growth. Contributions from individuals paying the maximum rate rose dramatically, from €95 million in 2008 to €389 million in 2023—a 309% increase. This sharp growth may reflect rising earnings among higher-income earners or adjustments to the maximum contribution thresholds.

Similarly, contributions from those paying the flat rate (excluding students) increased steadily, from €15 million in 2008 to €21 million in 2023, demonstrating consistent performance. Contributions from students paying the flat rate also doubled over the period, though their overall impact on total revenues remains minor. Meanwhile, contributions under the "Undefined rate" category were sporadic and negligible, with occasional peaks but often registering zero contributions in several years.

A closer look at year-on-year growth reveals accelerated increases in recent years. From 2016 to 2023, contributions grew significantly, with the largest single-year jump occurring between 2021 and 2022, when revenues rose by approximately €70 million. This acceleration reflects a combination of policy reforms and strong economic performance. As already mentioned, the robust rise in contributions, particularly from the maximum rate category, suggests that higher-income earners played an increasingly important role in bolstering the system's revenues.

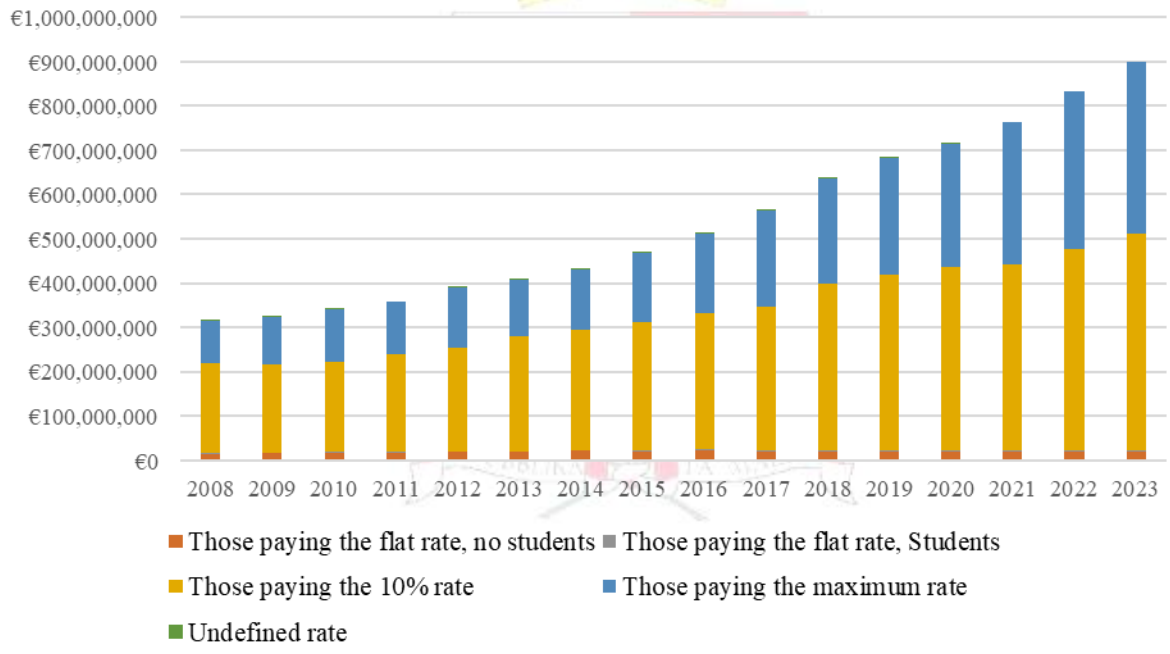

Figure 29: Contributions by category for the years 2008-2023

Combining total unique taxpayers with total contributions, the average contribution per taxpayer increased from €2,084 in 2008 to €3,181 in 2023, representing a 53% growth, driven by wage increases, higher contribution rates, and broader coverage (refer to figure 30). The most significant annual growth in taxpayer numbers occurred between 2015 and 2020, with total taxpayers rising from 189,405 to 242,884, reflecting the reported strong economic performance, improved compliance, and policy-driven efforts to expand the tax base. On the other side of the coin, sustaining this trend will depend on continued economic performance and strategic policy adjustments to maintain and expand coverage.

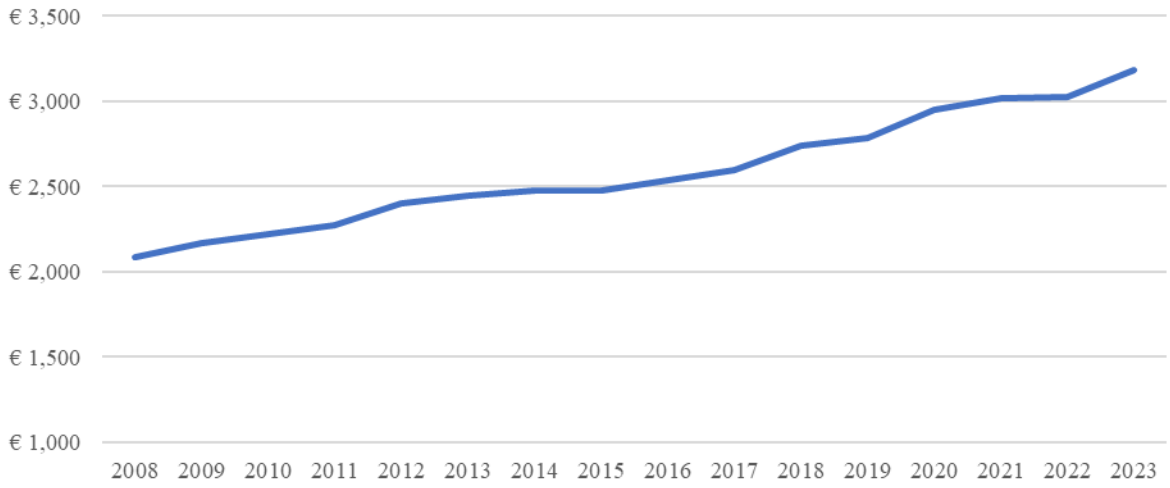

Figure 30: Average contribution per taxpayer, for the years 2008-2023

Furthermore, cross comparing the average contribution per taxpayer with total contributions, one notes that the former did not follow the same pace as the latter. This trend is a result that contributions are linked to basic wages and not the totality of one's wages. In reference to figure 31, contributions as a percentage of per capita total wages ratio have consistently declined, dropping from 14.3% to 12.1%. Adjusting the ratio to only consider basic wages, the ratio has similarly (but to a larger extent) dropped from 18% to 15.5%. This highlights the dynamics among three specific groups: those earning low basic wages who pay a flat rate (which exceeds the legislated rate), those with basic wages above the maximum pensionable income (who face a lower effective rate), and those whose basic wages fall between these two categories (and who pay the legislated rate).

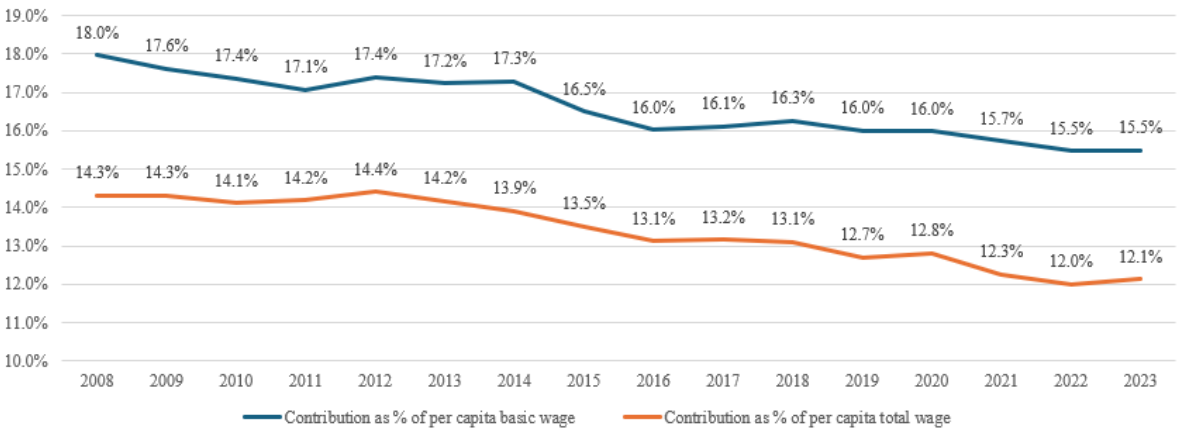

Figure 31: Contribution as % of per capita basic wages and per capita total wages.

Further disaggregating the statistics by sex and age, figure 32 outlines the number of contributors by gender from 2008 to 2023, highlighting consistent growth in workforce participation for both men and women. Over the period, male contributors increased from 94,004 in 2008 to 161,457 in 2023, reflecting a 71.7% growth, while female contributors saw a more significant rise, growing from 57,132 in 2008 to 121,122 in 2023, representing a 112% increase. As one can denote, the reported faster growth rate among women indicates significant progress in female workforce participation and inclusion in the social security system.

While men still constitute the majority of contributors, the gender gap has narrowed steadily over time. By 2023, women accounted for approximately 42.8% of total contributors, up from around 37.8% in 2008. This trend further substantiates the argument that increasing gender parity in employment and contribution rates, driven by policies encouraging female labour force participation, economic shifts, and the societal changes supporting gender equity.

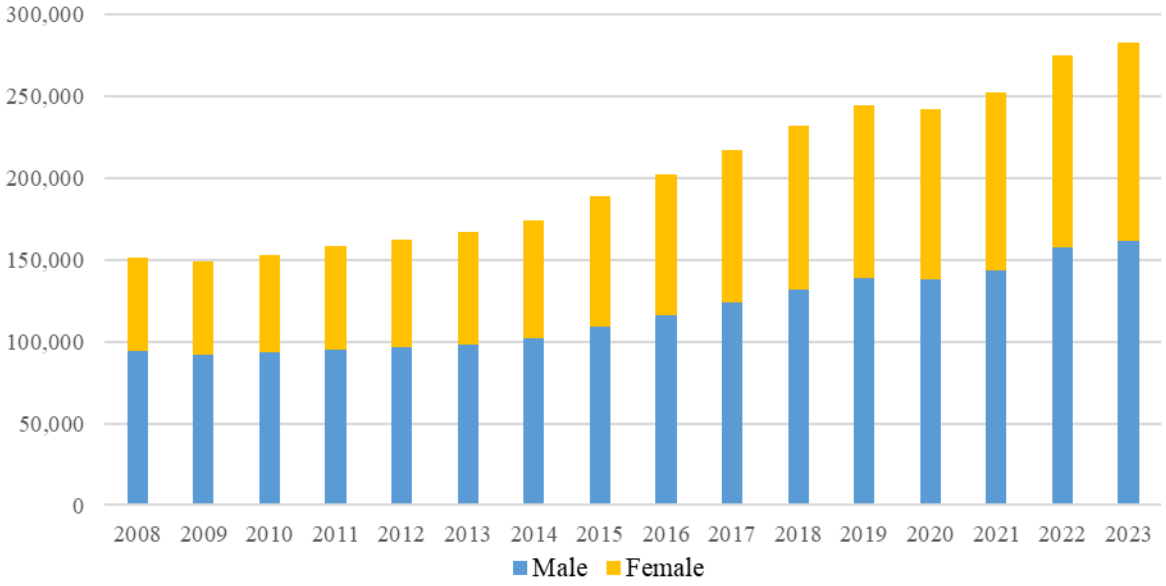

Figure 32: Total contributors by sex, for the years 2008-2023

Introducing the age component, figure 33 provides a detailed breakdown of male contributors to the social security system by age group from 2008 to 2023. The data reveals key trends in participation rates across different age brackets and over time. Notably, the number of contributors generally increases with age, peaking in the mid-career range (ages 25 to 45), before gradually declining as contributors approach retirement age.

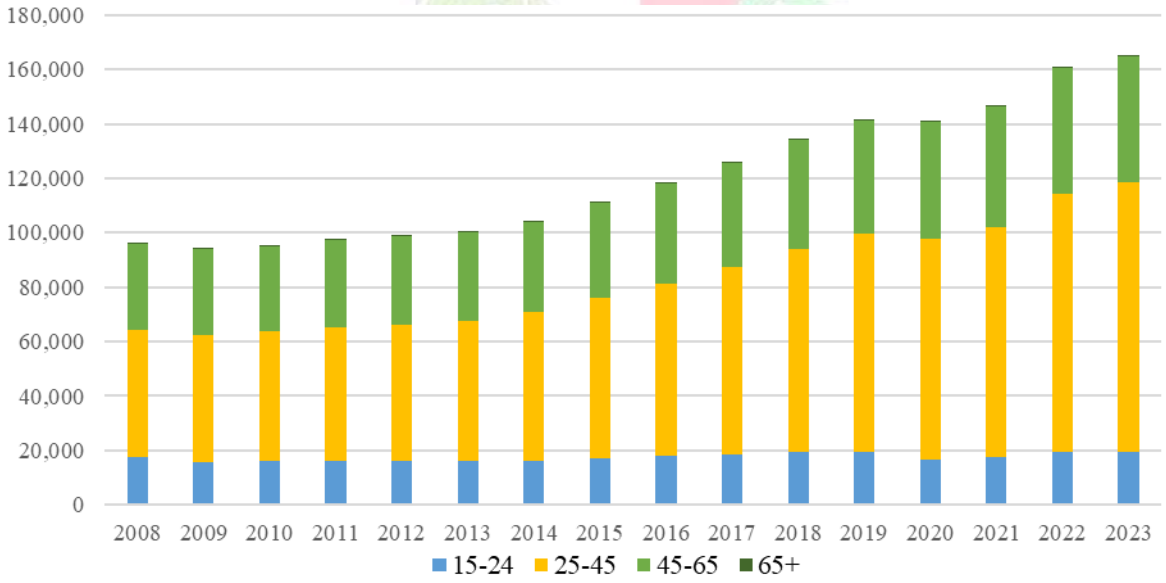

Figure 33: Male contributors by age brackets, for the years 2008-2023

Contributors in the early career range (ages 15 to 24) show consistent growth over the years, indicating improved labour force entry among young males. For example, the number of 18-year-olds contributing rose from 1,704 in 2008 to 1,793 in 2023, while 24-year-olds increased from 2,619 in 2008 to 4,266 in 2023, demonstrating a significant rise in workforce participation.

The mid-career range (ages 25 to 45) consistently has the highest number of contributors, reflecting the prime working years of men. Contributors aged 30, for instance, increased from 2,608 in 2008 to 5,147 in 2023, highlighting strong labour force attachment during these years. This age group likely represents the backbone of the social security system due to higher employment stability and contributions. In contrast, contributors in the late-career range (ages 46 to 65) show a more modest increase, with participation tapering off closer to retirement. For instance, contributors aged 60 rose from 1,362 in 2008 to 1,935 in 2023, while contributors aged 65 remained relatively low but stable, increasing from 123 in 2008 to 321 in 2023. This suggests gradual improvements in employment opportunities for older workers but highlights the natural decline in workforce participation as retirement approaches.

Thus, the data underscores a strong increase in participation across all age groups over the years, with notable growth among younger and mid-career contributors; indicating a healthy expansion of the workforce and a corresponding increase in contributions to the social security system. However, the tapering off of participation among older contributors suggests the continual need for policy interventions to extend workforce participation further into late-career years.

On the other hand, figure 34 provides a breakdown of female contributors to the social security system by age group from 2008 to 2023, showing significant growth in participation across nearly all age categories. Female contributors demonstrate increasing workforce involvement, particularly among younger and mid-career age groups. In the early career range (ages 15 to 24), the number of contributors has steadily risen, indicating improved opportunities for young women entering the labour force. For example, the number of 18-year-olds increased from 1,591 in 2008 to 1,797 in 2023, while 24-year-olds grew from 2,330 in 2008 to 3,317 in 2023.

The mid-career range (ages 25 to 45) consistently has the highest number of female contributors, reflecting the prime working years. Notably, contributors aged 30 rose from 2,267 in 2008 to 4,291 in 2023, highlighting substantial growth during this period. This age group represents a critical segment of the labour force and a significant source of contributions to the social security system. In the late-career range (ages 46 to 65), the number of contributors has also increased but at a slower pace compared to younger age groups. For instance, contributors aged 50 grew from 844 in 2008 to 2,129 in 2023, reflecting gradual improvements in labour force retention among older women. However, participation declines steadily beyond age 60, as many women transition to retirement.

As a general note, the data highlights robust growth in female workforce participation, with notable increases among younger and mid-career women. Although, in spite of the progress made in integrating women into the labour market and their growing contribution to the social security system, the decline in participation beyond mid-career years suggests potential opportunities for policies aimed at retaining older female workers in the labour force.

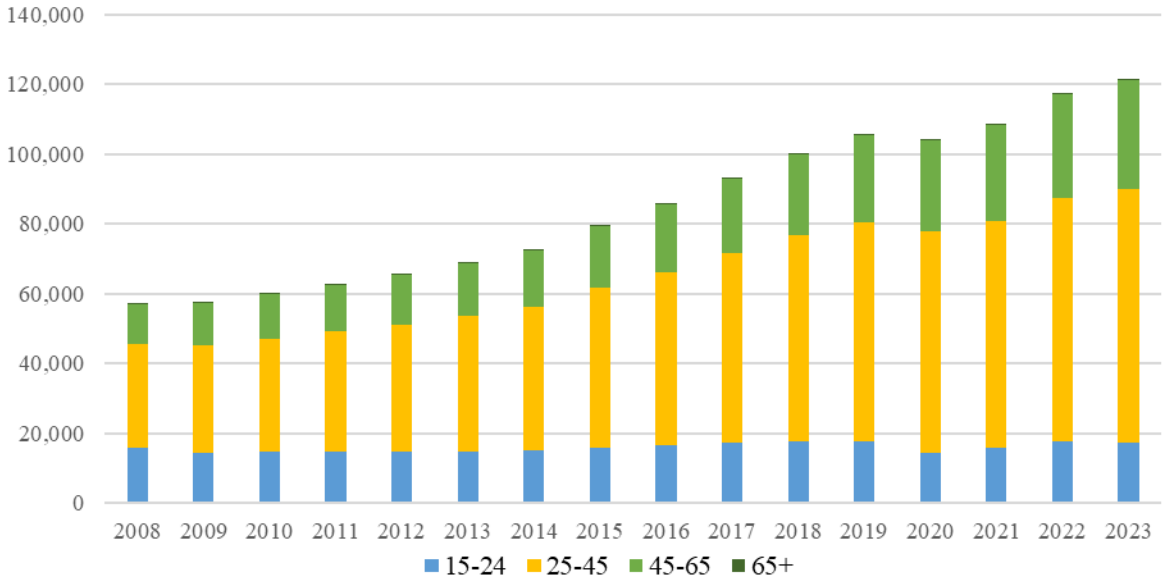

Figure 34: Female contributors by age brackets, for the years 2008-2023

From a wage perspective, figures 35 and 36 outlines the insurable wages of males by age in 2008 and 2023, reflecting trends in income growth and age-related wage patterns. Across all age groups, insurable wages increased significantly over the 16-year period, highlighting overall economic growth and wage progression. Younger workers (ages 15-24) saw steady increases in insurable wages, though these amounts remained lower compared to older workers due to limited experience and entry-level positions. For instance, the wage for 20-year-olds rose from €6,756 in 2008 to €12,149.88 in 2023, nearly doubling over the period.

In the prime working years (ages 25-45), wages showed the most substantial growth and consistently higher values compared to younger age groups, indicating career progression and higher-paying roles. For example, insurable wages for 30-year-olds grew from €12,956 in 2008 to €24,471 in 2023, reflecting a strong income trajectory. This age group forms the backbone of the labour force and contributes significantly to social security. Older workers (ages 46-65) also experienced wage increases, though growth rates were slightly slower compared to mid-career workers. For instance, wages for 50-year-olds increased from €14,498 in 2008 to €27,832 in 2023, a significant increase but less dynamic than the earlier stages of career development. Wages beyond age 60 showed a tapering off, reflecting reduced career progression or partial retirement in the later years of employment.

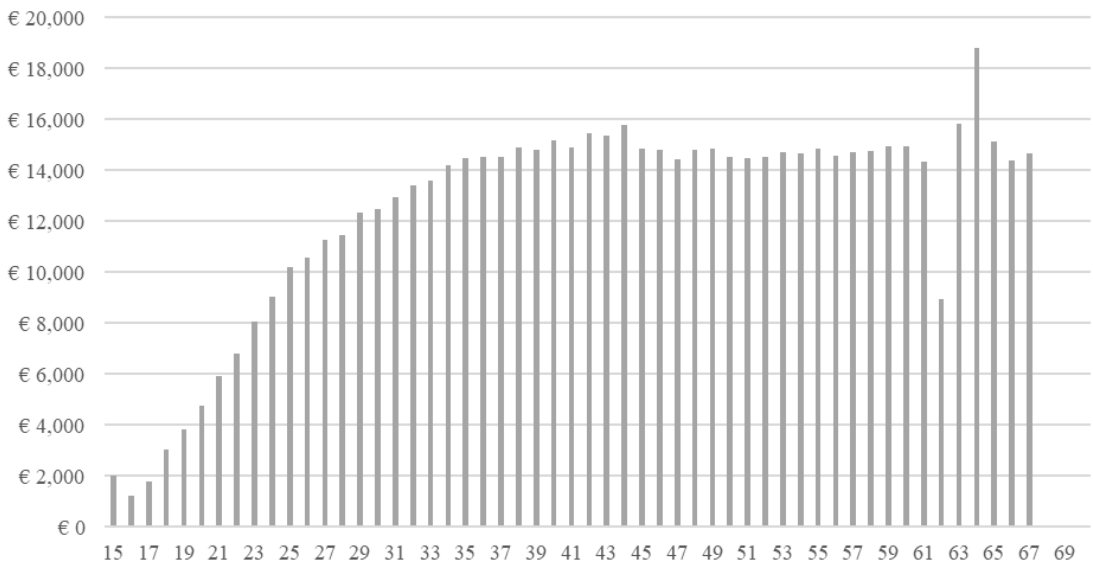

Figure 35: Insurable wages for males, by single age-bracket, 2008

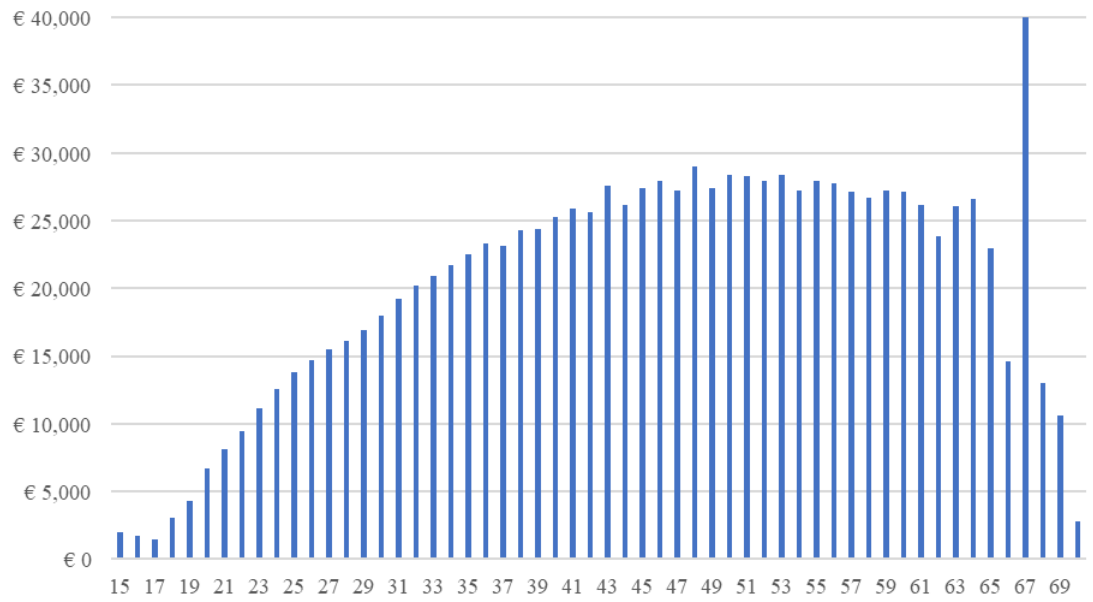

Figure 36: Insurable wages for males, by single age-bracket, 2023

On the other hand, figures 37 and 38 present the insurable wages of females by age in 2008 and 2023, highlighting steady growth in wages across all age groups over the 16-year period. Younger workers (ages 15-24) show increasing wages, reflecting improved opportunities and entry-level earnings for women. For example, wages for 20-year-olds rose from €4,567 in 2008 to €12,032 in 2023, a substantial increase demonstrating progress in integrating young women into the labour force.

In the prime working years (ages 25-45), insurable wages consistently increase and are significantly higher compared to younger age groups. For instance, wages for 30-year-old women increased from €11,609 in 2008 to €19,753 in 2023, reflecting career advancement and higher-paying roles during these critical earning years. This age group represents a vital segment of the workforce, contributing significantly to the social security system. In the later career years (ages 46-65), wages continued to grow but at a slower pace compared to the earlier

stages of employment. For example, wages for 50-year-old women rose from €10,756 in 2008 to €20,351 in 2023, indicating sustained, albeit more gradual, increases in earnings. Beyond age 60, wages taper off significantly, reflecting reduced career progression and the approach of retirement.

Figure 37: Insurable wages for females, by single age-bracket, 2008

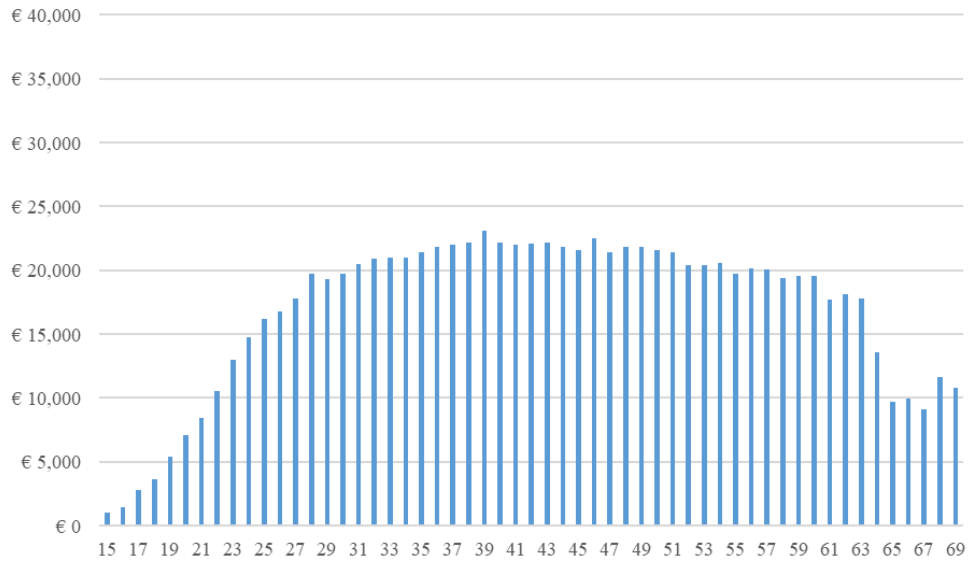

Figure 38: Insurable wages for females, by single age-bracket, 2023

As of yet, the analysis has strictly focused on basic wages, as individual contribution values are dependent, amongst others, on the individual's respective level of basic wages. In other words, the increasing average contribution per taxpayer metric is indicative of similarly increasing basic wage levels. Figure 39 provides an overview of total basic and aggregate wages, as well as the relationship between contributions and these wage metrics from 2008 to 2023. Over this period, both total basic wages and total aggregate wages exhibit consistent growth. Total basic wages increased from €1.75 billion in 2008 to €5.80 billion in 2023, representing a significant rise that reflects wage growth and potentially an expanding workforce. Similarly, total aggregate wages grew from €2.20 billion in 2008 to €7.41 billion

in 2023, showcasing a substantial upward trend, which could be attributed to higher employment levels, economic growth, or rising salaries.

Figure 39: Disaggregation of basic wages, for the years 2008-2023

Furthermore, and as is further explained and referred to in the sub-section assessing the erosion of the social security base, non-basic wages from 2008 to 2023 show a steady and significant increase over the 16-year period. For ease of reference, non-basic wages refer to earnings beyond the basic salary, such as bonuses, allowances, overtime, and other forms of additional compensation.

In 2008, non-basic wages amounted to €447 million, and this figure grew to €1.6 billion by 2023, representing an increase of approximately 260%. The growth has been relatively consistent, with notable acceleration starting in 2014, where non-basic wages surpassed the €600 million mark. The trend continued with sharp increases in subsequent years, particularly between 2018 and 2023, where non-basic wages almost doubled.

This substantial rise indicates the increasing role of non-basic wages in overall earnings, reflecting changes in compensation structures, economic growth, and possibly labour market demands for more flexible or performance-based pay. Such a trend could also signal shifts in employment practices where non-basic components are used to attract and retain talent, especially in competitive industries. Hence, the key observations are three:

1. Steady Growth: Non-basic wages have grown consistently over the years, with sharp accelerations in specific periods, particularly after 2014.
2. Economic and Employment Trends: The increasing reliance on non-basic wages suggests evolving compensation structures, economic expansion, and changing labour market dynamics.
3. Implications for Social Security: As non-basic wages grow, they may fall outside traditional insurable income thresholds, impacting the contribution base for social security systems.

Figure 40 highlights trends in salaries, pensionable income, and income ratios from 2008 to 2023, reflecting the evolution of insurable and total wages in the social security system. The average insurable salary increased steadily from €11,599 in 2008 to €20,536 in 2023, demonstrating a nearly 77% growth over the period. Similarly, the average total salary rose from €14,558 in 2008 to €26,222 in 2023, representing an approximately 80% increase, indicating overall wage growth in the economy.

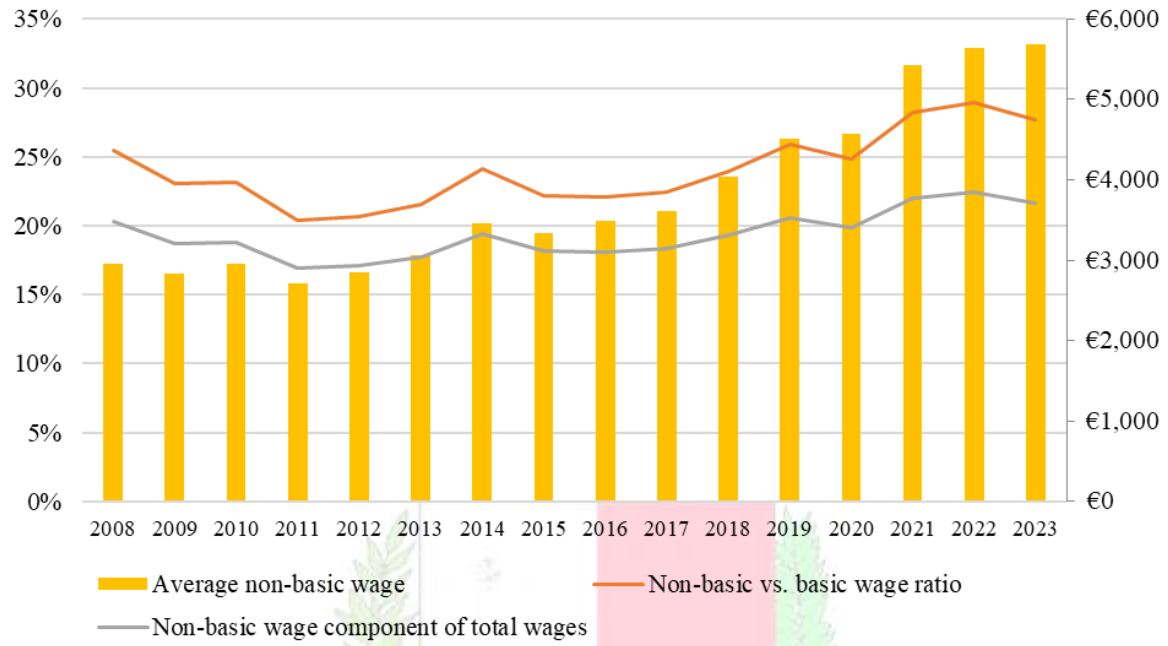

Figure 40: The non-basic wage component in total wages, for the years 2008-2023

The ratio of the average total salary to the maximum pensionable income increased steadily, starting at 87.7% in 2008 and reaching 97.7% in 2023, suggesting a closing gap between total earnings and the maximum pensionable threshold; thus, indicating the need for further efforts to align pensionable income limits more closely with actual earnings trends, potentially enhancing equity and sustainability in the pension system.

The average gap between total and insurable salaries widened over the years, growing from €2,959 in 2008 to €5,686 in 2023, highlighting a gradual divergence between insurable income and total earnings. This suggests that while wages are rising, a growing portion of income may fall outside the scope of insurable earnings, impacting the social security contribution base. In other words, the data reflects steady growth in wages, adjustments to pensionable income thresholds, and a widening gap between insurable and total salaries.

Ultimately, these trends point to ongoing challenges and opportunities in ensuring adequate contributions to the social security system while keeping pace with broader economic developments.

The increasing gap between basic wages and total wages in the context of social security is reflected in a lower contribution base; specifically, this refers to the social security contribution base erosion (SSCBE). Figure 41 further delves into this element, categorizing SSCBE into three types, and tracks its evolution from 2008 to 2023. Each type represents a different cause of erosion in the wage base for social security contributions. Type 1 SSCBE, caused by wages declared as non-basic, grew from €216.46 million in 2008 to €629.92 million in 2023. Whilst this suggests an increasing reliance on non-basic forms of compensation, the trend also points towards lower potential in overall contribution inflows.

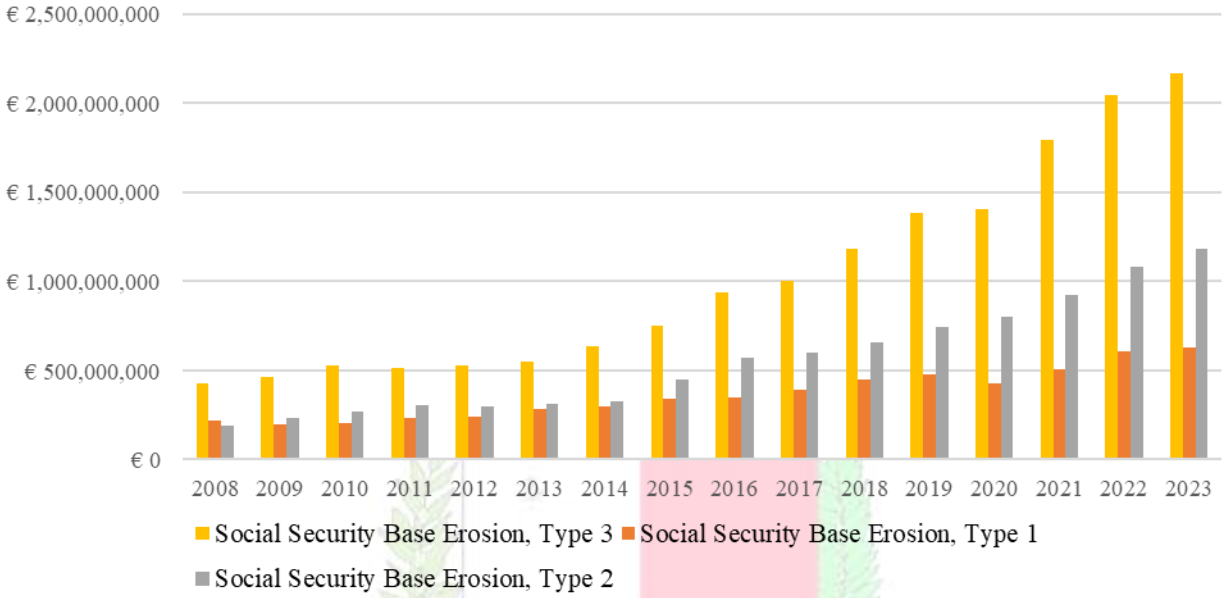

Figure 41: Social Security Contribution Base Erosion by type

Type 2 SSCBE, which arises from basic wages exceeding the applicable maximum insurable salary (MPI), also experienced substantial growth, rising from €192.87 million in 2008 to €1.18 billion in 2023. The dramatic rise highlights the growing gap between rising wages and the capped MPI, indicating a continual need for periodic adjustment of the MPI to align with wage trends. Similarly, Type 3 SSCBE, resulting from total wages exceeding the MPI, saw the largest increase, from €430.19 million in 2008 to €2.17 billion in 2023, a staggering 404% growth. The persistent and increasing disparity between total wages and the maximum contribution threshold, which could represent a missed opportunity for capturing additional contributions from high earners.

Hence, all three types of SSCBE have grown significantly over the years, with Type 2 and Type 3 showing the most pronounced increases. This growth reflects structural limitations in the social security contribution system, particularly the failure to capture contributions from non-basic wages and the growing share of earnings exceeding the MPI. These trends highlight the need for reforms to expand the contributory base, such as revising the MPI and incorporating more forms of compensation into the SSC base, to ensure the system's financial sustainability.

Taking one step backwards, the study additionally tracked taxpayers by social security category, distinguishing between Maltese nationals and non-Maltese nationals from 2008 to 2023. Over the 16-year period, figure 42 illustrates a notable increase in the number of taxpayers, particularly among non-Maltese nationals.

Maltese nationals, who had 140,770 unique contributors in 2008, saw steady growth, reaching 166,420 in 2023, peaking at 170,569 in 2022. In contrast, third-country nationals have experienced an extraordinary rise in participation, growing from 1,255 in 2008 to 63,715 in 2023. Similarly, other nationals have significantly increased from 9,126 in 2008 to 52,598 in 2023.

All in all, these three trends reveal a dramatic surge in foreign workforce participation, particularly among third-country nationals, whose numbers have grown over 50 times since 2008. While Maltese nationals still account for the highest number of unique contributors, their growth rate is considerably slower compared to other groups. In the context of pensions, it is vital to note the potential impact on future pension liabilities/expenditure on foreign contributors. Although, and as will be explained in detail in the sub-section titled "Quality and not quantity for contributor, employer and government", the expected impact of said growth in terms of future pension expenditure is expected to be limited due to the fact that only a very small proportion (around 2%) of the foreign population has at least ten years' worth of social security contributions (i.e. minimum social security contributions required for contributory pension).

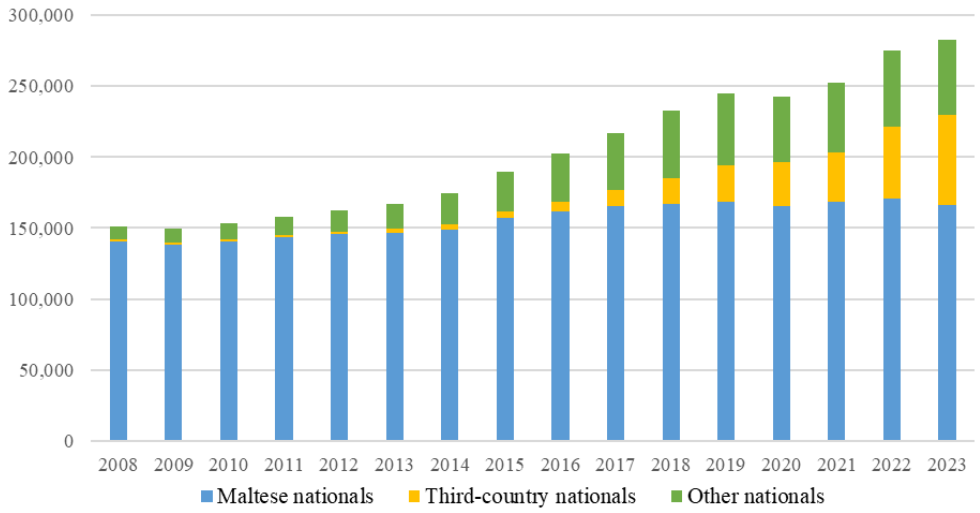

Figure 42: Contributors by nationality

Alternatively, figure 43 presents data on social security contributions by nationality, distinguishing between Maltese nationals, third country nationals and other nationals, from 2008 to 2023. One can note that Maltese nationals consistently contribute the highest amounts, growing from €299.5 million in 2008 to €613.08 million in 2023. Their contributions exhibit a steady upward trend.

Meanwhile, third-country nationals, starting at a much lower base (€1.7 million in 2008), show exponential growth, reaching €136.77 million in 2023. Lastly, contributions from other nationals— EU or EEA citizens —also exhibit substantial growth, rising from €13.76 million in 2008 to €149.41 million in 2023, with significant jumps after 2014.

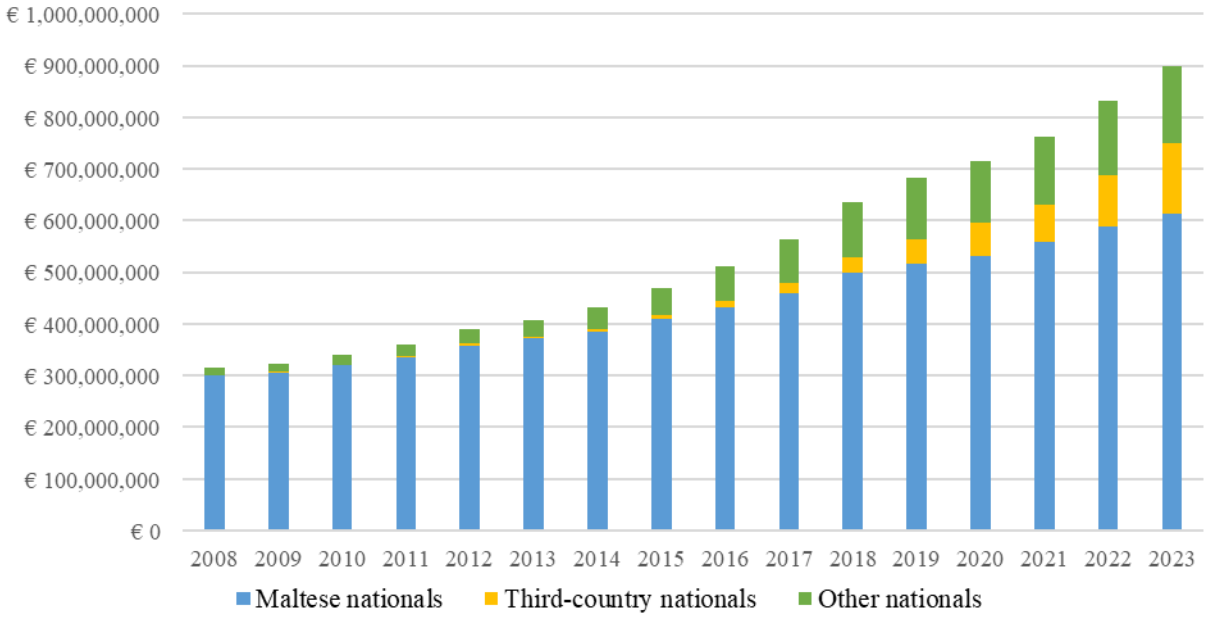

Figure 43: Contributions by nationality

Thus, the data highlights that while Maltese nationals contribute the most, the growth rate among third-country nationals is the highest, signalling increased workforce participation or policy changes favouring foreign workers. Additionally, other nationals' contributions have surged since 2014, due to increased migration and other labour market shifts.

Intertwining unique taxpayers and contributions by nationality, figure 44 presents the average contribution per taxpayer from 2008 to 2023 for the three nationality groups, along with the contribution gaps between these groups. The following remarks can be noted:

1. Maltese Nationals consistently have the highest average contributions, increasing from €2,128 in 2008 to €3,684 in 2023. The growth is steady, with notable rises in 2019 (€3,063), 2020 (€3,211), and 2023 (€3,684), suggesting either income growth, tax policy adjustments, or higher workforce productivity.

2. Third-Country Nationals (TCNs) start with the lowest contributions at €1,362 in 2008 but gradually increase to €2,147 in 2023. While they experience some fluctuations (e.g., a decline from €1,775 in 2012 to €1,696 in 2013), there is a sharp rise from 2019 (€1,798) to 2020 (€2,080).

3. Other Nationals begin at €1,508 in 2008 and see the second-highest growth, reaching €2,841 in 2023. Their contributions show a steadier growth trajectory than TCNs, and they surpass the TCN average every year.

4. Gap Between Maltese and TCNs: The difference in contributions between Maltese and TCN taxpayers starts at €766 in 2008, fluctuating slightly but generally widening over time, peaking at €1,537 in 2023. The increasing gap suggests that while TCNs are contributing more, they are not catching up to the levels of Maltese taxpayers, potentially due to wage disparities, job market segmentation, and industry distribution.

5. Gap Between Maltese and Other Nationals: This gap starts at €619 in 2008 and also grows, reaching €843 in 2023. However, the increase is more gradual compared to the

TCN gap. The relatively smaller gap compared to the TCNs suggests that other nationals (EU/EEA workers) have closer earning and tax contribution patterns to Maltese nationals.

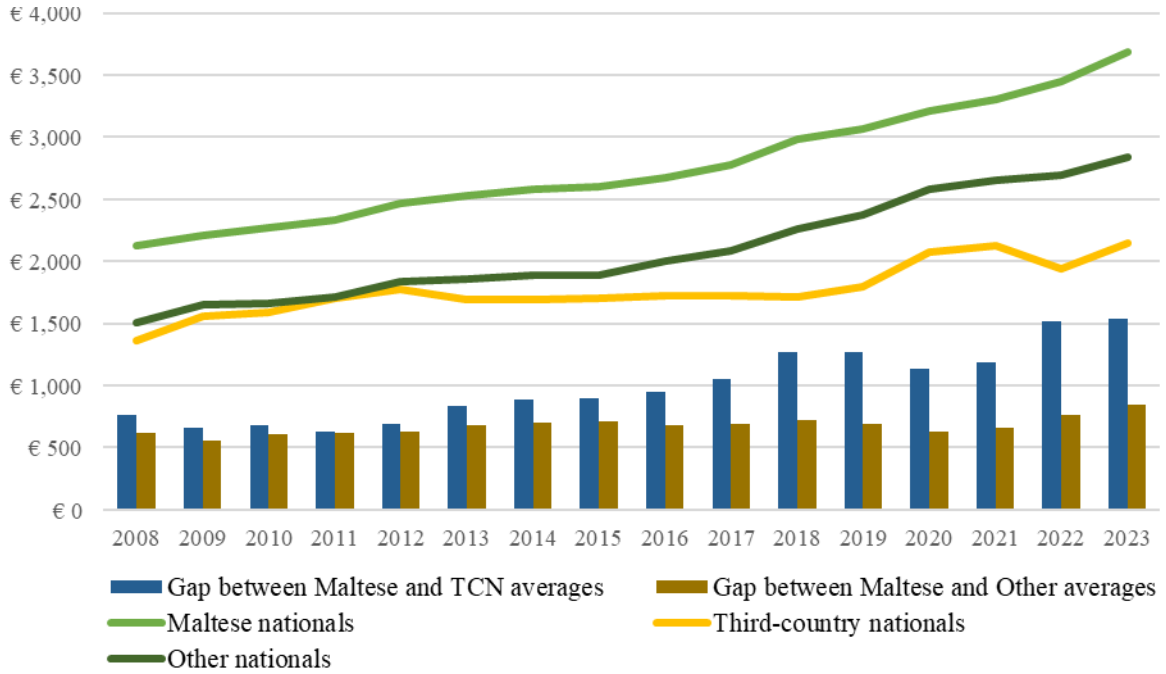

Figure 44: Average contributions by nationality, for the years 2008-2023

In sum, the data reveals that while Maltese nationals remain the primary contributors to social security, the dramatic rise in non-Maltese contributors has played an increasingly vital role in supporting the system's sustainability. importance of ensuring policies that integrate and retain foreign workers, while balancing efforts to support and grow the participation of Maltese nationals in the system. In fact, the higher contributions from Maltese nationals feature their central role in funding the social security system, while the growing contributions from non-Maltese nationals reflect their increasing integration and importance to the system's financial sustainability. To this end, the value of policies that promote wage growth and ensure equitable contribution rates across all taxpayer groups.

Lastly, high employment and activity rates create the a priori assumption of high coverage rates; i.e. a population which is socially insured. On this note, figure 45 outlines the coverage rates by sex from 2008 to 2023, offering insights into workforce participation and inclusion in the social security system. Over the 16-year period, male coverage rates remained relatively stable, fluctuating between 87.2% in 2009 and a peak of 95.3% in 2022, before declining slightly to 90.2% in 2023.

In contrast, female coverage rates exhibited more variation, starting at 108% in 2008, gradually declining to 97% in 2014, then stabilizing around 100% from 2020 to 2022 before slightly dropping to 98% in 2023. The higher initial rate (above 100%) suggests increased inclusion of women in the workforce or adjustments in how coverage was calculated. However, the stabilization in recent years indicates a narrowing gender gap in coverage. The total coverage rate remained strong throughout the period, hovering between 92% and 98%, with a peak of 98% in 2017 and 2018. While the overall system appears inclusive, the slight decline to 93% in 2023 might point to changes in labour market dynamics or participation trends.

Thus, the data highlights stable male coverage rates and gradual stabilization in female coverage rates over time. These trends reflect sustained workforce engagement for both genders, although recent slight declines suggest potential areas for improvement in ensuring universal coverage across all demographics. Efforts to sustain and expand participation, particularly for women, will be key to maintaining high total coverage rates in the future.

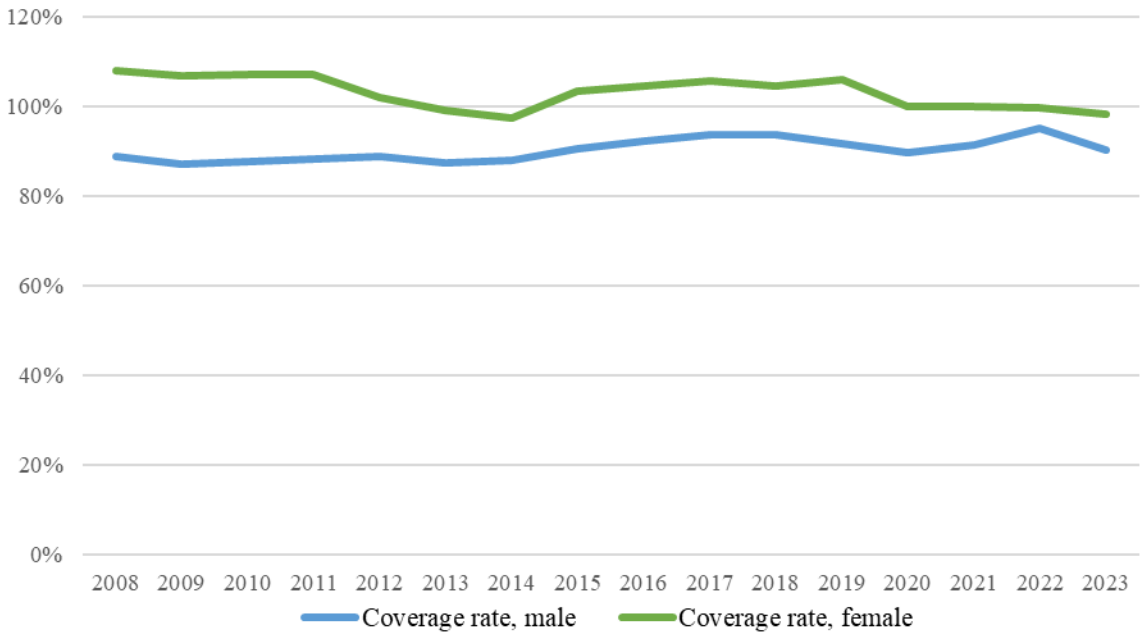

Figure 45: Coverage rates for males and females, for the years 2008-2023

In conclusion, the statistics on Class 1 contributions highlight significant trends, including sustained growth driven by foreign labour, stable participation by Maltese females, and declining contributions from Maltese males, particularly in dual contribution categories. These shifts underline broader changes in Malta's workforce dynamics, possibly influenced by evolving economic conditions, labour policies, and demographic patterns.

To further contextualize these findings, the subsequent section will examine statistics related to Class 2 contributions and contributors, offering additional insight into workforce participation, age distribution, and demographic shifts within Malta's social security system.

The Social Security Contribution Class 2 system in Malta[36]

In reference to Table 17, between 2008 and 2012, contributors in the SSC 1 only category experienced steady growth, rising from 150,002 to 160,957, with an average annual increase of 2,700 contributors. SSC 2 only remained relatively stable during this period, growing modestly from 19,490 to 19,127, while SSC 1 and 2 contributors increased slightly from 1,149

[36] Class Two Contributions are to be paid by all individuals who derive income of more than €910 from an economic activity and who are not employed. The Social Security Act defines two categories of persons that are required to pay Class 2 Contributions as follows: Self Occupied Persons - persons who earn income from Trade, Business, Profession, Vocation or any other economic activity that exceeds €910 per annum. Self Employed Persons - persons who receive income from rents, investments, capital gains or any other income.

to 1,272. Among Maltese males, SSC 1 only saw minor fluctuations, ending at 85,736 in 2012, while SSC 2 only showed a small decline from 15,973 to 15,190, and SSC 1 and 2 remained consistent, with minimal growth from 908 to 930.

Maltese female contributors exhibited more substantial growth in SSC 1 only, increasing from 53,211 to 58,686, with annual gains of approximately 1,300. SSC 2 only and SSC 1 and 2 for Maltese females saw slight increases, reaching 3,458 and 342, respectively, by 2012. For foreign contributors, both males and females showed significant growth in SSC 1 only, with foreign males increasing from 6,697 to 10,076 and foreign females rising from 3,684 to 6,459. Their SSC 2 only contributions remained small but increased slightly, with foreign males reaching 313 and foreign females 256.

The period from 2013 to 2017 marked a phase of rapid growth and expansion. SSC 1 only contributors surged from 165,889 to 215,103, averaging annual increases of 12,800. SSC 2 only contributors remained relatively stable, fluctuating between 19,247 and 20,099, while SSC 1 and 2 saw a significant rise from 955 to 1,952. Maltese males in SSC 1 only steadily increased, peaking at 91,409 in 2017, while SSC 2 only began a slight decline, falling to 14,621 in 2017. SSC 1 and 2 for Maltese males doubled during this period, growing from 708 to 1,441. Maltese females experienced consistent growth in SSC 1 only, which rose from 60,484 to 72,207, while SSC 2 only increased modestly from 3,495 to 4,365. The SSC 1 and 2 category for Maltese females also saw growth, rising from 247 to 477. Foreign contributors experienced explosive growth during this time, with foreign males in SSC 1 only increasing from 11,950 to 31,102, and foreign females growing from 8,108 to 20,385.

From 2018 to 2023, the trends shifted as SSC 1 only contributors continued to grow steadily, rising from 214,450 to 282,103, with annual increases of over 13,500 contributors. However, SSC 2 only experienced a sharp decline post-2019, dropping from 21,870 to 13,416 by 2023. Similarly, SSC 1 and 2 contributors fell dramatically from a peak of 2,605 in 2018 to just 482 in 2023. For Maltese males, SSC 1 only saw slight declines after 2017, falling to 87,732 by 2023, while SSC 2 only dropped significantly to 9,076. SSC 1 and 2 contributions for Maltese males saw the sharpest decline, dropping from 1,918 in 2018 to just 331 in 2023. Maltese females, on the other hand, maintained consistent growth in SSC 1 only, increasing from 72,046 in 2018 to 75,180 in 2023, while SSC 2 only remained stable but declined slightly after 2020. The 'SSC 1 and 2' category for Maltese females also fell sharply from 638 in 2018 to 188 in 2023.

Foreign contributors, particularly males, saw significant growth in SSC 1 only, with numbers rising from 31,093 in 2018 to 73,403 in 2023, averaging annual increases of over 8,400 contributors. Foreign females in SSC 1 only followed a similar trajectory, growing from 20,379 in 2018 to 42,833 in 2023, with annual growth rates of around 4,400 contributors. In contrast, SSC 2 only contributions for both foreign males and females declined sharply after 2019, falling to 463 and 414, respectively, by 2023. Overall, this period marked a continued reliance on foreign labour and increased female workforce participation, particularly in SSC 1 only, while dual contributions across all groups declined significantly.

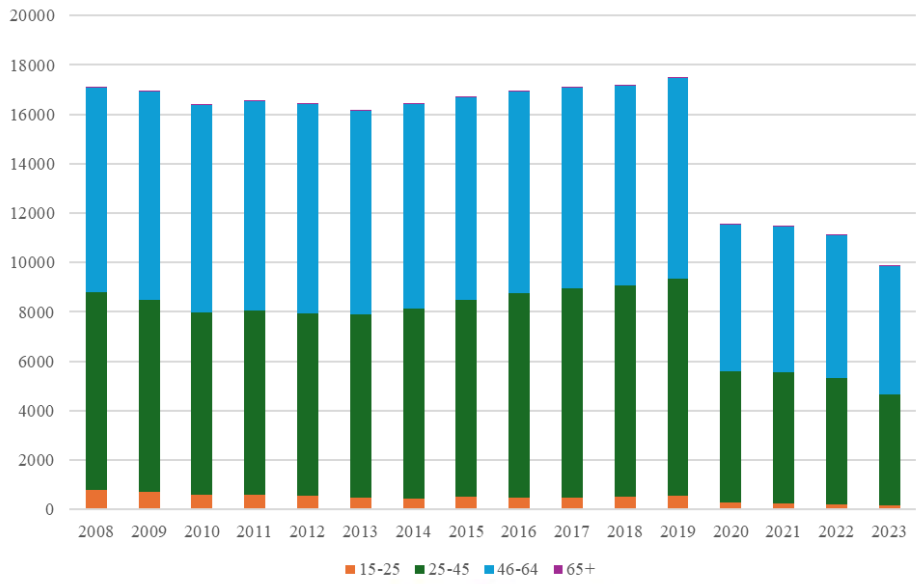

Figure 46: Male class II contributors by age brackets

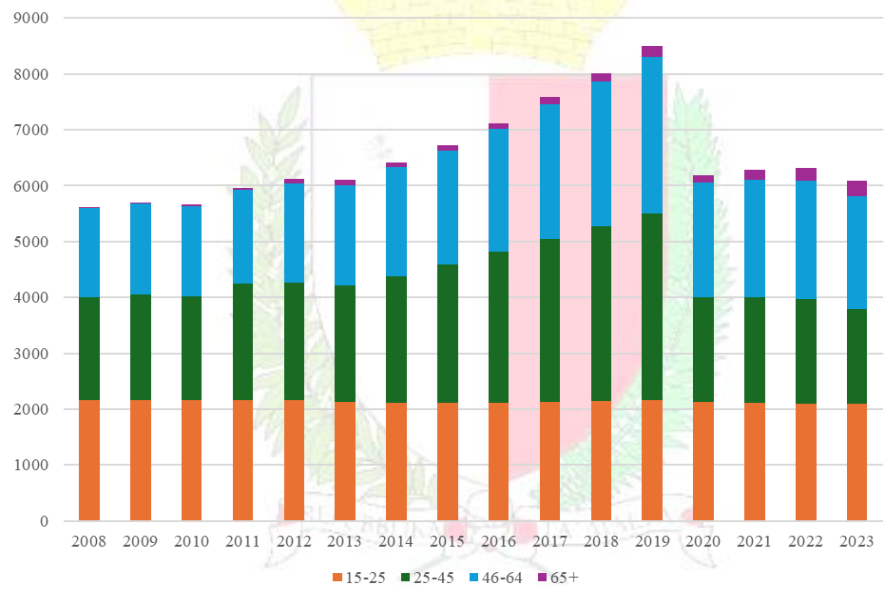

Figure 47: Female class II contributors by age brackets

The data on Class 2 contributions highlights distinct trends among males and females over time, with a noticeable concentration of contributions in the 50-58 age range. For males, this group consistently records the highest number of contributors, with figures peaking at 568 in 2008 for age 55 before gradually declining to 248 in 2023. Female contributions also peak in the same age range but remain significantly lower, with age 55 contributors reaching 144 in 2017 and declining to 109 by 2023. Younger contributors, particularly those aged 15-25, consistently show low participation for both genders, with numbers declining further after 2017. By 2023, most contributions from this group fall into single digits, reflecting decreased engagement of younger individuals in Class 2 contributions, possibly due to extended education and changing workforce dynamics.

Older contributors aged 60 and above, although relatively small in number, have shown slight but steady increases, particularly after 2018. This pattern is observed across both genders, reflecting trends of delayed retirement or new employment opportunities for older workers. For instance, male contributors aged 66 increased from 0 in 2008 to 28 in 2023, while female contributors of the same age rose similarly. The average age of contributors has steadily increased, from 43.57 in 2008 to 46.56 in 2023 for males and from 40.35 to 45.63 for females during the same period, indicating an aging workforce across the board.

When comparing genders, males consistently outnumber females across all age groups, especially in the peak contributing range of 50-58. However, females tend to have a lower average age of contributors, suggesting earlier exit from the workforce or other structural differences. Both genders exhibit a noticeable shift toward older contributors, with increasing participation from the 60+ age group over time. These trends underscore the aging nature of the workforce, reduced participation from younger workers, and an overall shift in workforce demographics. This evolution may have significant implications for workforce planning, retirement policies, and the economic inclusion of younger individuals.

Maltese male contributors	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SSC 1 only	86410	84166	84655	85577	85736	85437	86109	88904	90450	91409	90932	90671	89749	90573	90720	87732
SSC 2 only	15973	15921	15455	15424	15190	15061	15111	14590	14621	14572	14124	14686	10177	10167	10052	9076
SSC 1 & 2	908	787	692	821	930	708	760	1352	1441	1441	1918	1405	541	456	407	331

Maltese female contributors	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SSC 1 only	53211	53224	55083	57083	58686	60484	62013	66556	69430	72207	72046	75506	74995	77153	79111	78130
SSC 2 only	3215	3292	3261	3434	3458	3495	3712	3857	4084	4365	4519	4936	3330	3457	3626	3533
SSC 1 & 2	241	245	210	262	342	247	280	370	417	477	638	563	228	189	205	138

Foreign male contributors	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SSC 1 only	6697	7012	7987	9019	10076	11950	15096	19299	24632	31102	31093	46976	48207	53082	67012	73418
SSC 2 only	200	217	249	300	313	395	560	735	863	1021	1161	1357	884	882	648	463
SSC 1 & 2	0	0	0	0	0	0	0	10	12	23	32	23	17	17	7	4

Foreign female contributors	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
SSC 1 only	3684	3931	4510	5319	6459	8018	10020	12730	15907	20385	20379	29677	29046	31085	37938	42823
SSC 2 only	102	109	137	205	256	293	365	415	531	654	763	891	571	562	414	344
SSC 1 & 2	0	0	0	0	0	0	0	5	9	11	17	18	8	10	5	9

Table 17: Distribution of contributors by sex and mix of contributions paid

The data presented in figure 48 show social security contributions categorized by the year they are referenced and the year they were actually paid, spanning from 2014 to 2023 (excluding 2017 due to incomplete data). [37]Over the years, both categories exhibit an overall increasing trend, although there are fluctuations in specific years. Contributions linked to the reference year steadily increased from €38.2 million in 2014 to €57.4 million in 2023, reflecting an overall growth in contributions over the period. A similar trend is observed in contributions linked to the year paid, which rose from €39.8 million in 2014 to €64.5 million in 2023.

However, variations in the contributions linked to the year paid suggest irregularities in payment patterns. For example, there was a notable drop in 2016 (€32.8 million) compared to 2015 (€48.3 million), but this was followed by a sharp increase in 2018 (€49.7 million) and a further jump to €57.2 million in 2019. The most significant peak occurred in 2020, with contributions reaching €77.5 million, potentially due to government measures and economic shifts during the COVID-19 pandemic. This was followed by a decline in 2021 (€58.1 million) and a further dip in 2022 (€31.7 million), before rebounding significantly in 2023 (€64.5 million).

The disparity between contributions linked to the reference year and those linked to the payment year in certain years suggests delays or backlogs in payments. The large fluctuations in the year paid category indicate that contributions are not always settled within the same reference year, likely due to administrative processes, deferred payments, and policy adjustments. The data highlights the need for closer monitoring of payment timelines to ensure consistency between reference and payment periods, as well as stability in contribution collection

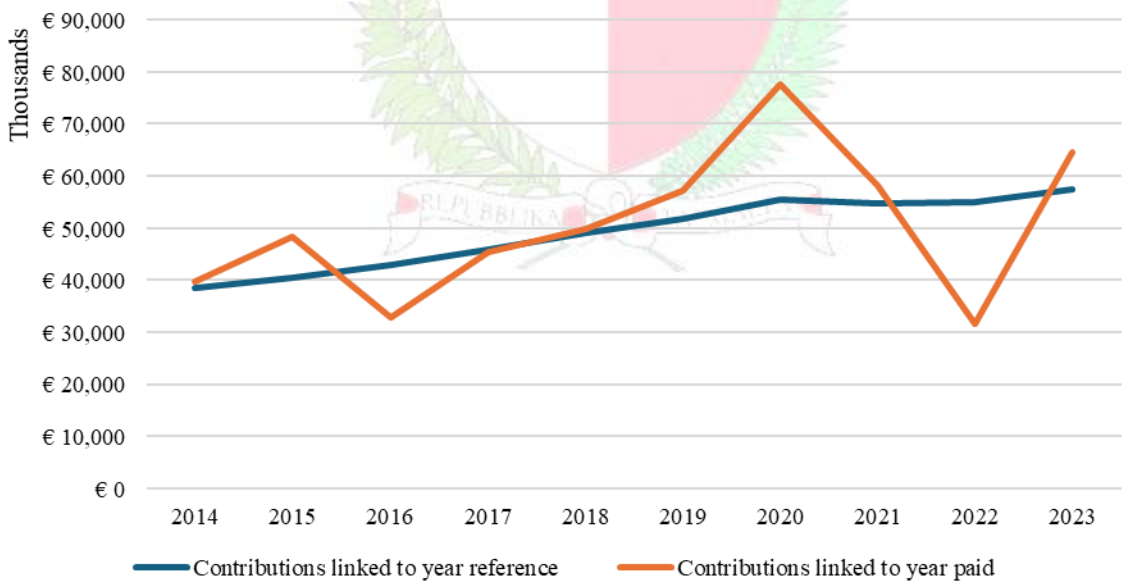

Figure 48: Class II contributions by year paid and year of reference.

Furthermore, figure 49 provides insights into the number of contributors linked to the year paid and their corresponding average contributions over time. Excluding 2017, which lacks data,

[37] Historical data including 2013 and previous years pertaining to the value of contributions paid could not be extracted.

the trend reveals an overall increase in contributors while the average contribution values exhibit notable fluctuations.

Between 2014 and 2016, the number of contributors showed a steady rise, from 22,671 in 2014 to 24,672 in 2015, followed by a slight drop to 23,565 in 2016. After the missing data in 2017, the number of contributors rebounded to 25,485 in 2018 and continued increasing to 26,714 in 2019. The most significant rise occurred in 2020, when the number of contributors reached 30,246, the highest recorded in the dataset. While 2021 saw a slight decline to 28,714, the numbers remained relatively stable in 2022 at 28,490, followed by a minor increase to 29,323 in 2023.

The average contributions, however, exhibit a less consistent pattern. In 2014, the average stood at €1,755.60, increasing to €1,958.57 in 2015 before experiencing a sharp drop to €1,390.30 in 2016, the lowest recorded value. After the missing data in 2017, average contributions recovered to €1,951.35 in 2018 and €2,141.63 in 2019. A significant spike occurred in 2020, when the average contribution surged to €2,562.79, suggesting external economic influences, possible policy shifts, or increased contributions from higher-income groups. However, this trend did not sustain, as the average dropped to €2,023.87 in 2021 before experiencing a drastic dip to €1,113.66 in 2022, the lowest value since 2016. This decline was followed by a rebound in 2023, with the average contribution increasing to €2,198.68.

The overall data highlights a growing contributor base, particularly post-2018, with 2020 marking the peak in both the number of contributors and average contributions. However, the fluctuations in average contributions suggest variability in individual contribution levels, possibly influenced by economic shifts, policy adjustments, or workforce dynamics. The sharp drop in 2022 despite a stable number of contributors implies a shift in contribution distribution, potentially indicating an increase in lower-income or part-time contributors. The rebound in 2023 suggests a recovery phase, restoring contribution levels closer to pre-2022 figures.

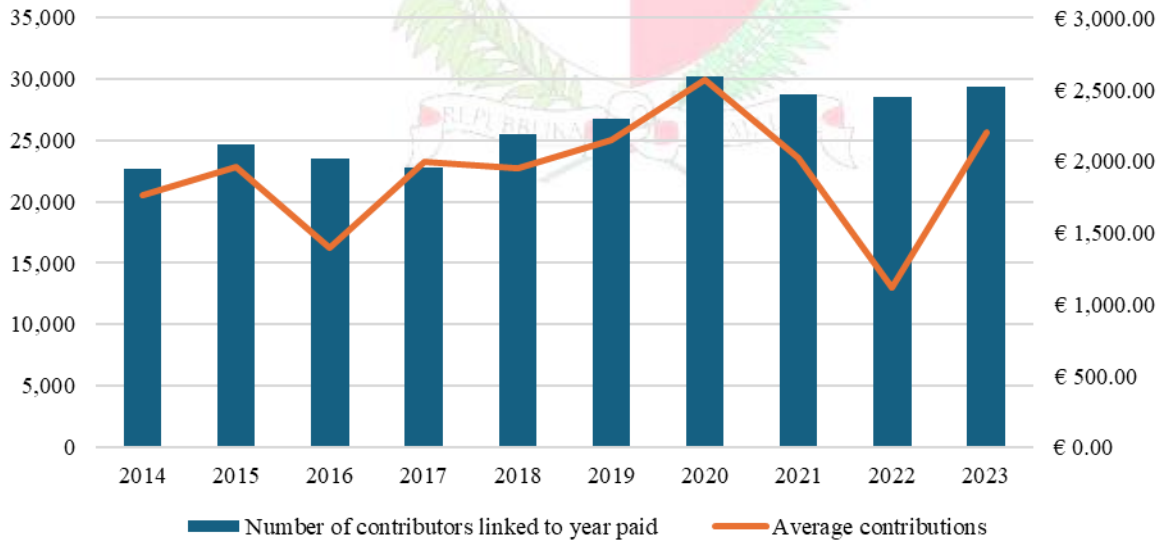

Figure 49: Class II contributions paid by year paid and average contributions paid.

Lastly, Table 18 reveals a fluctuating pattern in contributor engagement over time, with notable peaks in 2016, 2020, and 2021-2022. The highest contribution year, 2016 (36,088 entries), stands out as a significant spike, suggesting a major push for participation during that period.

However, a decline follows in subsequent years, with 2018 (24,615) and 2019 (25,925) reflecting lower but still substantial engagement. The 2020-2022 period marks a resurgence, with 32,571 contributions in 2020, 44,896 in 2021, and 45,860 in 2022, indicating a shift towards renewed interest, possibly influenced by external factors such as global events, digital transformation, or policy changes.

Older contributions from 2014-2016 show a gradual decline over time, suggesting that most early contributors do not remain engaged long-term. For instance, contributions from 2014 drop from 22,029 initially to just 83 in 2023, and 2015 declines from 25,335 to 88 in the same period. This trend underscores a high turnover rate, where new contributors replace older ones rather than maintaining long-term engagement. Despite this, a long-tail effect is observed, where small numbers of past contributions persist over time, implying that while the majority disengage, a fraction of early contributors remain active.

The sharp increase in contributions from 2020 onward suggests a significant shift in participation, possibly driven by strategic initiatives, funding, or global changes that encouraged digital collaboration. The sustained high numbers in 2021 (44,896), 2022 (45,860), and 2023 (30,538 so far) indicate a strong recruitment phase where newer contributors are actively engaged. Given this trend, the coming years may continue to see high levels of participation unless significant structural or external disruptions occur.

In summary, contributor engagement has shown three key phases: an early peak in 2016, a dip in 2018-2019, and a resurgence from 2020 onward. Older contributions gradually phase out, while newer ones dominate, suggesting a model where fresh participation drives engagement rather than long-term retention. If the upward momentum from 2021-2023 continues, future contribution rates could remain stable or even increase, depending on organizational strategies and external influences.

		YEAR PAID									
		2014	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
YEAR REFERENCE	**2014**	22,029	1,429	354	332	333	274	148	53	42	83
	2015	-	25,335	1,233	488	367	303	325	52	43	88
	2016	-	-	36,088	2,129	536	322	437	144	50	92
	2017	-	-	-	21,980	2,599	510	456	218	252	108
	2018	-	-	-	-	24,691	1,929	781	230	242	275
	2019	-	-	-	-	-	25,925	2,539	345	287	355
	2020	-	-	-	-	-	-	32,571	12,863	418	547
	2021	-	-	-	-	-	-	-	44,896	10,457	825
	2022	-	-	-	-	-	-	-	-	45,860	2,492
	2023	-	-	-	-	-	-	-	-	-	30,538

Table 18: Distributions of contributors by reference year.

The Pension deferral system

Pension deferral policies in Malta have evolved as a strategic tool to encourage longer workforce participation while ensuring financial sustainability within the pension system. By allowing individuals to delay their pension claims, the policy aims to provide increased benefits upon eventual retirement, thereby improving financial security for retirees. The decision to defer pensions is influenced by various factors, including economic conditions, labour market trends, and legislative changes that impact eligibility and incentives for deferral.

The evolution of contributors within the pension system plays a crucial role in shaping deferral patterns. As demographic shifts lead to an aging workforce and extended life expectancy, more individuals opt to postpone retirement, either voluntarily or due to economic necessity. The deferral trends observed over the years reflect broader socio-economic changes, such as shifts in employment stability, wage growth, and policy reforms that either incentivize or discourage early retirement.

In 2016, the Maltese Government implemented a reform to introduce pension deferral incentives, providing financial benefits for individuals who choose to delay retirement beyond the early exit age despite having a full contributory record. This initiative has played a role in extending working careers. Grech's (2020) study found that individuals who continue working until the statutory pension age are increasingly likely to remain employed beyond that threshold, with each successive cohort exhibiting this trend at a faster-than-expected rate. The study attributes this shift largely to the impact of the deferral scheme.

In terms of take-up, the tables 19-22 provide an overview of the deferral population in the Maltese pension system from 2016 to 2024, categorized by pension type, number of deferred years, and date of birth.

The total deferral population has fluctuated over the years, with notable peaks in 2021 (1,284), 2020 (1,279), and 2023 (1,271), and a sharp decline in 2018 (166). The most deferred pension type is the Two-Thirds Pension (TTP), accounting for 6,657 out of 7,874 cases (84.5%), followed by the Increased National minimum pension (INMP) with 704 cases. The other pension types, such as the Retirement Pension (RP - 325 cases) and the Survivor's Pension (SRP - 33 cases), have relatively lower deferral counts. Over the years, deferrals increased significantly from 2016 (589 cases) to a peak in 2021 (1,284), before declining in 2022 (467) and stabilizing around 950 in 2024.

Furthermore, the majority of pension deferrals occur for two years (3,564 cases, 45.3%), followed by one year (2,649 cases, 33.6%), and three years (1,494 cases, 19.0%). Only a small percentage of pensioners defer for four years (122 cases, 1.5%), with 45 cases marked as "undefined." The trend shows an increase in longer deferral durations from 2019 onward, with most two-year deferrals occurring in 2020, 2021, and 2023.

The above-mentioned trend in preference is mirrored in the distribution of pension deferrals based on the percentage increase applied to the pension rate across various pension types. The majority of deferrals (3,403 cases or 43.2%) occurred at the 10.5% increase level. Another significant portion of deferrals took place at the 5% increase level (2,347 cases, 29.8%). The third most common deferral category was 16.5% (883 cases, 11.2%), demonstrating that some pensioners preferred to defer for longer to achieve a higher rate increase. Conversely, higher

deferral levels such as 21% (600 cases), 22.5% (2 cases), 23% (95 cases), and 29% (3 cases) had far fewer participants, indicating that prolonged deferrals beyond the commonly chosen thresholds were relatively rare.

Assessing the beneficiaries of the deferral system by birth year, the largest deferral population comes from those born in 1957 (1,302 cases), 1958 (1,325 cases), and 1959 (1,265 cases), indicating a concentration of deferrals among individuals approaching retirement age during the period analyzed. Deferrals among older cohorts (born before 1955) are gradually declining (only 1,469 total cases). The sharp increase in deferrals for those born in 1960 (1,007 cases) and 1961 (241 cases) suggests a policy or eligibility shift influencing later cohorts.

In sum, the analysis identified four key (4) trends:

1. Increase in Deferrals Over Time: Deferrals peaked in 2021 (1,284 cases), 2020 (1,279 cases), and 2023 (1,271 cases).
2. Dominance of TTP Pensions: The Two-Thirds Pension (TTP) accounts for most deferrals (84.5%), highlighting its centrality in the Maltese pension system.
3. Preference for Short-Term Deferrals: Most pensioners defer for one to two years (nearly 80% of cases), indicating a tendency for short-term deferral rather than prolonged delays.
4. Impact of Birth Cohorts: Deferrals were concentrated among those born between 1956 and 1960, suggesting that retirement policy changes particularly affected individuals in this age bracket.

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Year Reference	Deferral population by pension type								
	TTP	RP	INMP	NMP	IRP	SRP	NMWP	ESRP	Total
2016	521	43	21	4	0	0	0	0	**589**
2017	643	40	78	5	0	0	0	0	**766**
2018	137	9	17	3	0	0	0	0	**166**
2019	955	59	74	11	2	1	0	0	**1102**
2020	1071	62	124	18	1	2	1	0	**1279**
2021	1072	45	137	27	0	1	2	0	**1284**
2022	406	12	39	7	0	1	2	0	**467**
2023	1065	41	108	38	1	16	1	1	**1271**
2024	787	14	106	28	0	12	0	3	**950**
Total	**6657**	**325**	**704**	**141**	**4**	**33**	**6**	**4**	**7874**

Table 19: Distribution of deferral population by pension type and year of retirement.

Year Reference	Deferral population by number of deferred years					
	1	2	3	4	Undefined	Total
2016	582	2	1	1	3	**589**
2017	754	4	3	2	3	**766**
2018	140	11	2	5	8	**166**
2019	166	911	6	7	12	**1102**
2020	205	1047	11	6	10	**1279**
2021	202	1044	13	21	4	**1284**
2022	211	207	22	26	1	**467**
2023	241	211	791	27	1	**1271**
2024	148	127	645	27	3	**950**
Total	**2649**	**3564**	**1494**	**122**	**45**	**7874**

Table 20: Distribution of deferral population by number of deferred years and year of retirement.

Percentage increase applied to pension rate	Deferral population by pension type								
ALL	**TTP**	**RP**	**INMP**	**NMP**	**IRP**	**SRP**	**NMWP**	**ESRP**	**Total**
5	2007	129	174	17	0	17	2	1	**2347**
5.5	146	1	4	3	0	1	0	0	**155**
6	25	1	2	1	0	0	0	0	**29**
6.5	82	1	3	0	0	0	0	0	**86**
7	5	0	0	0	0	0	0	0	**5**
7.5	16	0	0	0	0	0	0	0	**16**
8	11	0	0	0	0	0	0	0	**11**
10.5	2865	145	324	50	3	11	3	2	**3403**
11.5	33	0	0	0	0	0	0	0	**33**
12.5	27	0	2	3	0	0	0	0	**32**
13.5	57	2	10	2	0	0	0	1	**72**
14.5	22	0	0	0	0	0	0	0	**22**
15.5	2	0	0	0	0	0	0	0	**2**
16.5	731	29	90	30	0	3	0	0	**883**
18	6	0	1	1	0	0	0	0	**8**
21	489	9	80	23	0	0	0	0	**601**
22.5	2	0	0	0	0	0	0	0	**2**
23	76	6	7	4	1	1	0	0	**95**
29	23	0	3	1	0	0	0	0	**27**
None	32	2	4	6	0	0	1	0	**45**
Total	**6625**	**323**	**700**	**135**	**4**	**33**	**5**	**4**	**7874**

Table 21: Distribution of deferral population by pension type and applicable top-up rate.

Year Reference	Deferral population by date of birth														
	<=1955	**1956**	**1957**	**1958**	**1959**	**1960**	**1961**	**1962**	**1963**	**1964**	**1965**	**1966**	**1967**	**1968**	**1969**
2016	589	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2017	766	0	0	0	0	0	0	0	0	0	0	0	0	0	0
2018	76	90	0	0	0	0	0	0	0	0	0	0	0	0	0
2019	18	999	84	1	0	0	0	0	0	0	0	0	0	0	0
2020	10	73	1104	92	0	0	0	0	0	0	0	0	0	0	0
2021	3	24	72	1072	111	1	0	0	1	0	0	0	0	0	0
2022	3	2	38	105	179	138	0	0	0	0	0	1	0	0	1
2023	0	3	4	53	893	185	131	1	0	0	1	0	0	0	0
2024	4	0	0	2	82	683	110	65	1	1	0	0	2	0	0
Total	**1469**	**1191**	**1302**	**1325**	**1265**	**1007**	**241**	**66**	**2**	**1**	**1**	**1**	**2**	**0**	**1**

Table 22: Distribution of deferral population by date of birth and year of retirement.

Expenditure-side of the Pension System

Shifting towards the expenditure or beneficiary side of the pension system, for the period between 2010 and 2024, table 23 shows that the number of total pension beneficiaries has increased from 79,182 individuals to 105,860 individuals, or an increase of 33.7%. Disaggregating the latter beneficiary statistic into retirement pension, invalidity pension and widow's pension, highlights various important remarks:

i. ***Retirement pensions:*** In terms of the number of pensioners in receipt of a contributory retirement pension, the figure has increased from 56,088 to 83,638 persons; representing an increase of 49%. As mentioned in previous reports, the significant surge in the recipients of such pensions is majorly due to the generational effect of the bulk of individuals born between 1946 and 1962 (i.e. comprising of most of the baby boomer population).

ii. ***Invalidity pensions:*** In terms of the number of pensioners in receipt of an invalidity pension, the figure has decreased from 6,529 to 2,526 persons; representing a decrease of 61%. The decrease is owed to the policies introduced as part of the 2004 reforms, which ultimately aimed to minimise both the possibilities of early labour market exit and with it, the abuse of receiving such a pension. Specifically, the success is owed to the re-engineering of the fundamental principle of the policy instrument, whereby individuals can over time, effectively retain their employment status by means of offering suitable alternative work.

iii. ***Widow's pensions:*** In terms of the number of pensioners in receipt of a widow's pension, the figure has increased from 16,565 to 19,696 persons (women being the absolute majority of this sub-population). Although, given both the projected changes in the life expectancies of women and involvement in the labour market, and hence evolution in their respective average contribution histories, the absolute number and share of women expected to be in receipt of such a pension is also projected to evolve over time.

Furthermore, Table 24 outlines the evolution of the weekly maximum income rates for individuals retiring during the period between 2010 and 2024. In terms of the retirement pensions, the two-third pension (TTP) maximum and minimum rates increased by 28.3% (€62.22 and €18.67) and the guaranteed national minimum pension increased by 41.8% (i.e., equivalent to €56.75) between 2016 and 2024. On the other hand, the maximum pension for widows and national minimum pension for widows increased by 41.1% and 58.2% respectively; in absolute terms, these are equal to €75.36 and €63.60. Finally, in terms of invalidity pensions:

i. The married and single invalidity pension rates, also in respect of a service pension, have increased by 62.6% and 74.1%, respectively;

ii. The married and single increased invalidity pension rates, also in respect of a service pension, have increased by 44.6% and 55.5%, respectively;

iii. The married and single national minimum invalidity pension rates, also in respect of a service pension, have increased by 43.7% and 48.6%, respectively;

iv. All invalidity pension rates, except for the married national minimum pension rate, have increased by €53.14.

Pension beneficiaries by type		2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retirement Pensions	**TOTAL**	**56,088**	**58,617**	**59,620**	**61,043**	**61,495**	**63,408**	**65,742**	**69,172**	**69,026**	**70,850**	**74,086**	**77,090**	**77,912**	**78,646**	**83,638**
	Retirement Pension	9,874	9,239	8,277	7,440	7,266	7,014	7,088	7,363	6,625	6,301	5,967	5,915	4,912	3,905	4,252
	Increased Retirement Pension	2,576	2,775	2,139	2,017	1,166	1,030	927	880	784	715	1,204	1,141	587	510	1,199
	National Minimum Retirement Pension	8,516	8,793	8,858	8,720	8,560	8,763	9,182	9,644	9,663	9,728	10,150	11,017	11,175	11,584	11,811
	Decreased National Minimum Retirement Pension	119	117	115	108	99	88	97	104	96	93	88	91	92	84	91
	Increased National Minimum Retirement Pension	2,859	3,040	3,095	3,155	2,973	2,956	2,914	2,865	2,842	2,758	3,395	3,553	3,351	3,087	4,574
	Two-Thirds Pension	32,144	34,653	37,136	39,603	41,431	43,557	45,534	48,316	49,016	51,255	53,282	55,373	57,795	59,476	61,711
Invalidity Pensions	**TOTAL**	**6,529**	**5,853**	**5,208**	**5,089**	**5,067**	**4,813**	**4,593**	**4,248**	**3,996**	**3,801**	**3,400**	**3,175**	**2,966**	**2,752**	**2,526**
	Invalidity Pension	837	658	512	427	371	299	246	207	192	170	130	113	107	99	87
	Increased Invalidity Pension	230	213	176	140	137	137	123	106	84	76	63	51	42	33	41
	National Minimum Invalidity Pension	5,454	4,973	4,514	4,516	4,553	4,371	4,218	3,932	3,717	3,552	3,205	3,009	2,815	2,619	2,397
	Decreased National Minimum Invalidity Pension	8	9	6	6	6	6	6	3	3	3	2	2	2	1	1
Widow's Pensions	**TOTAL**	**16,565**	**16,764**	**17,001**	**17,443**	**17,184**	**17,460**	**18,112**	**18,527**	**19,259**	**18,724**	**19,091**	**19,661**	**20,532**	**19,775**	**19,696**
	Widow's Pension with Service Pension	500	400	333	321	300	291	280	304	297	283	276	218	210	196	191
	National Minimum Widow's Pension	8,223	8,169	8,249	8,087	7,725	7,723	7,782	7,712	7,876	7,158	6,678	6,287	5,868	4,959	4,641
	Early Survivor's Pension	1,978	1,963	1,843	1,819	1,655	1,701	1,834	1,844	1,891	1,937	2,000	1,929	1,616	1,224	1,005
	Survivor's Pension	5,526	5,901	6,253	6,905	7,189	7,445	7,927	8,387	8,932	9,094	9,897	11,003	12,622	13,189	13,654
	Disablement Pension	322	316	308	295	296	283	274	260	248	240	229	216	207	200	199
	Orphan's Allowance	16	15	15	16	19	17	15	20	15	12	11	8	9	7	6
Total pension beneficiaries		**79,182**	**81,234**	**81,829**	**83,575**	**83,746**	**85,681**	**88,447**	**91,947**	**92,281**	**93,375**	**96,577**	**99,926**	**101,410**	**101,173**	**105,860**

Table 23: Number of pensioners, by benefit type, for the period between 2010 and 2024.

Weekly Rate, €	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Retirement Pension										
Married										
Two-Thirds Pension - Max Rate*	229.15	230.32	231.49	234.66	238.88	244.22	248.64	253.06	262.26	282.05
Two-Thirds Pension - Min Rate**	68.745	69.096	69.447	70.398	71.664	73.266	74.592	75.918	78.678	84.615
Guaranteed National Minimum Pension	N.A.	140.00	141.75	149.50	154.00	161.00	166.00	171.00	183.50	198.50
Single										
Two-Thirds Pension - Max Rate*	229.15	230.32	231.49	234.66	238.88	244.22	248.64	253.06	262.26	282.05
Two-Thirds Pension - Min Rate**	68.745	69.096	69.447	70.398	71.664	73.266	74.592	75.918	78.678	84.615
Guaranteed National Minimum Pension	N.A.	140.00	141.75	149.50	154.00	161.00	166.00	171.00	183.50	198.50
Widow's Pension										
Maximum Pension for Widows*	190.96	191.93	192.91	196.47	200.19	204.15	210.45	218.17	233.76	258.55
National Minimum Pension for Widows*,****	129.14	130.31	131.48	134.65	138.37	144.21	148.62	153.04	162.24	172.97
Invalidity Pension										
Married										
Invalidity Pension***	94.16	95.33	96.50	99.67	103.39	109.23	113.64	118.06	127.26	137.99
Increased Invalidity Pension	128.43	129.60	130.77	133.94	137.66	143.50	147.91	152.33	161.53	172.26
National Minimum Invalidity Pension	138.03	139.43	140.60	143.77	147.73	153.57	157.98	162.40	171.60	182.33
Single										
Invalidity Pension***	81.01	82.18	83.35	86.52	90.24	96.08	100.49	104.91	114.11	124.84
Increased Invalidity Pension	105.14	106.31	107.48	110.65	114.37	120.21	124.62	129.04	138.24	148.97
National Minimum Invalidity Pension	118.70	119.87	121.04	124.21	127.93	133.77	138.18	142.60	151.80	162.53

* Assuming a full contribution average.
** Assuming a minimum contribution average.
*** Also in respect of a Service Pension.

Table 24: Weekly maximum income rates for individuals retiring during the period between 2015 and 2024.

The significance of the above-mentioned figures is mostly highlighted when compared to the average wage; specifically, when assessing the pension replacement rate (PRR) and the average pension replacement rates (APRR). Starting off, Table 25 shows that the average wage (as per LFS statistics) over the 2015-2024 period has increased by 40%. Furthermore, the same table also outline that the two-thirds pension maximum and minimum replacement rates have declined over the period under review, with individuals retiring on the GNMP/L experiencing relatively higher increases (from 41% to 43%).

The recipients of the maximum WP exhibited a decline from 2010 to 2019, after which the replacement rate settled around the 55% mark. Such an observation holds true for individuals receiving the invalidity married or single pension rates, although reporting a lower saturation point of approximately 30% and 27%, respectively. Other invalidity pension recipients, i.e., receiving either the IIP or NMIP married or single rates, have also noted reductions during the 2010-2019 period, after which they registered slight increases.

Pension Replacement Rates	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
Average Wage										
Average Wage, Labour Force Survey (LFS)	16,780	17,626	18,209	18,967	19,594	19,260	19,758	20,958	22,002	23,493
Retirement Pension										
Married										
Two-Thirds Pension - Max Rate*	71%	68%	66%	64%	63%	66%	65%	63%	62%	62%
Two-Thirds Pension - Min Rate**	21%	20%	20%	19%	19%	20%	20%	19%	19%	19%
Guaranteed National Minimum Pension	N.A.	41%	40%	41%	41%	43%	44%	42%	43%	44%
Single										
Two-Thirds Pension - Max Rate*	71%	68%	66%	64%	63%	66%	65%	63%	62%	62%
Two-Thirds Pension - Min Rate**	21%	20%	20%	19%	19%	20%	20%	19%	19%	19%
Guaranteed National Minimum Pension	N.A.	41%	40%	41%	41%	43%	44%	42%	43%	44%
Widow's Pension										
Maximum Pension for Widows*	59%	57%	55%	54%	53%	55%	55%	54%	55%	57%
National Minimum Pension for Widows*,****	40%	38%	38%	37%	37%	39%	39%	38%	38%	38%
Invalidity Pension										
Married										
Invalidity Pension***	29%	28%	28%	27%	27%	29%	30%	29%	30%	31%
Increased Invalidity Pension	40%	38%	37%	37%	37%	39%	39%	38%	38%	38%
National Minimum Invalidity Pension	43%	41%	40%	39%	39%	41%	42%	40%	41%	40%
Single										
Invalidity Pension***	25%	24%	24%	24%	24%	26%	26%	26%	27%	28%
Increased Invalidity Pension	33%	31%	31%	30%	30%	32%	33%	32%	33%	33%
National Minimum Invalidity Pension	37%	35%	35%	34%	34%	36%	36%	35%	36%	36%

* Assuming a full contribution average.
** Assuming a minimum contribution average.
*** Also in respect of a Service Pension.
**** NMWP 2010-2014 refers to single rate for Widow's Pension.

Table 25: Pension replacement rates during the period between 2015 and 2024.[38]

Average Pension Rate, Total	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2015-2024 GR
Average Wage	€16,780	€17,626	€18,209	€18,967	€19,594	€19,260	€19,758	€20,958	€22,002	€23,493	31%
Retirement Pension	€7,801	€8,146	€8,204	€8,494	€8,793	€9,212	€9,525	€9,852	€10,272	€11,594	32%
% of Average Wage	46.5%	46.2%	45.1%	44.8%	44.9%	47.8%	48.2%	47.0%	46.7%	49.4%	0%
Invalidity Pension	€5,601	€5,668	€5,751	€5,922	€6,112	€6,396	€6,679	€6,899	€7,294	€7,378	30%
% of Average Wage	33.4%	32.2%	31.6%	31.2%	31.2%	33.2%	33.8%	32.9%	33.2%	31.4%	-1%
Widow's Pension	€7,080	€7,493	€7,642	€7,945	€8,181	€8,502	€8,935	€9,184	€9,744	€10,542	38%
% of Average Wage	42.2%	42.5%	42.0%	41.9%	41.8%	44.1%	45.2%	43.8%	44.3%	44.9%	5%

Table 26: Average pension replacement rates during the period between 2015 and 2024.

The quoted replacement rates above vary from the APRR as the latter refers to the average pension received by the population within each pension classification (RP, WP and IP), irrespective of the year of retirement. Going forward, and as demonstrated in table 26, comparing the percentage increase of average wages with that of the average pension, only invalidity pensions seem to have, on average, been outpaced by average wages. Furthermore, as is explained further on when assessing the totality of income earned by pensioners, other benefits which individuals are in receipt of have an important role in retaining a certain standard of living.

Going one step backwards, interlinked with the comparison of wages, is the comparison to the at-risk-poverty threshold. In reference to the SILC 2015-2023 data[39] reported in Table 27, there has been a significant increase in the number & proportion of older individuals (aged 60 & above) at risk of poverty. The total number in this demographic rose from 27,000 in 2015 to 37,000 in 2023, with the share of older persons among the at-risk population increasing from 26% to 30%.

The most notable growth was observed in the 65–74 age group, whose numbers increased from 12,000 to 19,000 over the nine-year period. Their share of the at-risk population rose from 25%

[38] Ibid.
[39] https://ec.europa.eu/eurostat/databrowser/view/ilc_peps01n__custom_16253740/default/table?lang=en.

in 2015 to a peak of 33% in 2022, before stabilizing at 31% in 2023. The 75+ age group also experienced a doubling in size — from 6,000 to 12,000 — indicating an upward trend in poverty risk among the oldest cohorts, who often face higher costs related to healthcare, caregiving, and housing.

Disaggregated data by gender reveals a persistent disparity. Older women constitute a disproportionately larger share of the at-risk population. In 2023, 31.6% of women aged 60 and over were identified as at risk of poverty, compared to 27% of their male counterparts. The gender gap is most pronounced in the 75+ age group, where structural inequalities — particularly lower lifetime earnings and interrupted work histories— compound the risk of economic insecurity among older women. The period between 2020 and 2022 saw accelerated increases in poverty risk among older adults, likely influenced by the socioeconomic effects of the COVID-19 pandemic.

TOTAL, Thousands	2015	2016	2017	2018	2019	2020	2021	2022	2023
60 years or over	27	27	28	31	35	33	36	39	37
From 65 to 74 years	12	14	14	15	18	17	18	19	18
65 years or over	18	21	22	23	27	26	28	32	30
75 years or over	6	7	8	8	9	9	9	13	12

TOTAL, %	2015	2016	2017	2018	2019	2020	2021	2022	2023
60 years or over	26%	26%	25%	27%	30%	28%	29%	31%	30%
From 65 to 74 years	25%	28%	27%	28%	32%	30%	32%	34%	32%
65 years or over	25%	27%	27%	28%	31%	29%	30%	33%	31%
75 years or over	23%	25%	26%	28%	29%	26%	26%	33%	30%

MALES, Thousands	2015	2016	2017	2018	2019	2020	2021	2022	2023
60 years or over	12	11	11	13	15	14	15	17	17
From 65 to 74 years	6	6	6	7	8	8	8	9	8
65 years or over	8	9	9	10	12	11	12	13	13
75 years or over	3	3	3	3	3	3	3	5	5

MALES, %	2015	2016	2017	2018	2019	2020	2021	2022	2023
60 years or over	25%	23%	22%	23%	26%	25%	26%	28%	27%
From 65 to 74 years	25%	27%	25%	25%	30%	29%	31%	31%	31%
65 years or over	24%	25%	24%	25%	28%	27%	27%	30%	30%
75 years or over	21%	21%	22%	23%	25%	23%	22%	28%	28%

FEMALES, Thousand	2015	2016	2017	2018	2019	2020	2021	2022	2023
60 years or over	15	16	17	18	20	19	21	22	21
From 65 to 74 years	6	7	8	9	9	9	10	10	10
65 years or over	10	12	13	14	15	14	16	18	16
75 years or over	4	5	5	5	6	5	6	8	7

FEMALES, %	2015	2016	2017	2018	2019	2020	2021	2022	2023
60 years or over	27.5%	28.0%	28.8%	30.1%	33.2%	30.1%	32.3%	34.4%	31.8%
From 65 to 74 years	26.1%	28.7%	28.8%	30.2%	32.9%	31.7%	34.1%	36.5%	34.0%
65 years or over	25.5%	28.4%	28.6%	30.6%	32.8%	30.0%	32.3%	36.5%	33.0%
75 years or over	24.7%	28.0%	28.4%	31.1%	32.5%	27.5%	29.7%	36.5%	31.6%

Table 27: At-risk-of-poverty or social exclusion (AROPE) rates & count of 60+, 65-74, 65+ and 75+ age-brackets for male and female populations.

Although, it is important to note that whilst plotting the evolution of the AROPE threshold over the assessed period reveals the impact of a sharply increasing poverty threshold, augmenting from €8,096 to €11,364 (i.e., equivalent to an increase of 5% p.a.), the same cannot be said when the figure is indexed with the inflation rate. Specifically, and in reference to Figure 50, should the poverty threshold of 2015 be increased in line with inflation, utilising NSO retail price index (RPI) figures, the at-risk-poverty threshold would only increase to €9,677 (i.e., equivalent to an increase of 2.4% p.a.). Put differently, applying the derived threshold would result in a lower number of individuals at risk of poverty.

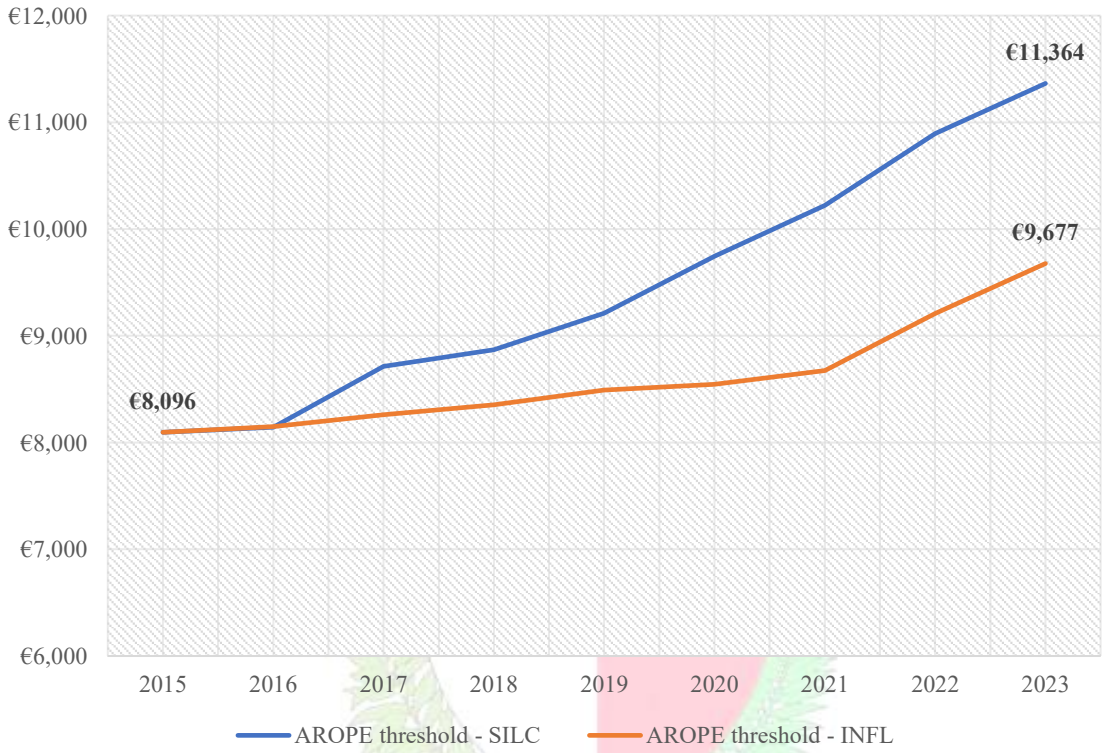

Figure 50: At risk of poverty and social exclusion thresholds as reported by SILC and if indexed by inflation (2015=100).

The element of adequacy is further analysed in the AWG-complementary report titled "2024: Pension adequacy report - Current and future income adequacy in old age in the EU. Focusing on the future, projections indicate a gradual improvement in pension adequacy. In reference to table 28, theoretical replacement rates (TRRs) are expected to increase between 2022 and 2062, particularly for average-income earners, whose net TRR is projected to rise by seven percentage points to 74.9%, and further to 86.8% by 2072. High-income earners will see a modest increase to 38%, while low-income earners will experience a slight decline to 82.8%, though they will still have the highest replacement levels.

These improvements largely reflect reforms to the maximum pensionable income formula for individuals born in or after 1962. Thus, while Malta's future pension adequacy is expected to strengthen, ongoing gender disparities and the risk of poverty among older women remain key challenges to achieving equitable outcomes.

Theoretical replacement rates	Net (%)				Gross (%)			
	2022		2062		2022		2062	
	Men	Women	Men	Women	Men	Women	Men	Women
Standard pensionable age (SPA)	***63.0***	***63.0***	***65.0***	***65.0***				
AWG career duration (years	***43.2***	***42.9***	***43.8***	***43.3***				
Average Earning (100%)								
Base case: 40 years up to SPA	*67.9*	*67.9*	*74.9*	*74.9*	*51.4*	*51.4*	*58.9*	*58.9*
Increased SPA: from age 25 to SPA	*73.7*	*73.7*	*74.9*	*74.9*	*57.2*	*57.2*	*58.9*	*58.9*
AWG career length case	*67.9*	*67.9*	*78.1*	*73.9*	*51.4*	*51.4*	*62.1*	*58.9*
Long career: 42 years to SPA			*74.5*	*74.5*			*58.0*	*58.5*
Shorter career: 38 years to SPA			*68.3*	*68.3*			*52.4*	*52.4*
Deferred exit: 42 years to SPA +2			*74.5*	*74.5*			*58.5*	*58.5*
Earlier exit: 38 years to SPA -2			*72.7*	*72.7*			*55.8*	*55.8*
Career break - unemployment: 3 years	*67.9*	*67.9*	*74.9*	*74.9*	*51.4*	*51.4*	*58.9*	*58.9*
Career break - childcare: 3 years	*67.9*	*67.9*	*74.9*	*74.9*	*51.4*	*51.4*	*58.9*	*58.9*
Career break - care for family dependant: 3 years	*67.9*	*67.9*	*74.9*	*74.9*	*51.4*	*51.4*	*58.9*	*58.9*
Short career (20-year career)	*36.1*	*36.1*	*34.3*	*34.3*	*27.9*	*27.9*	*27.3*	*27.3*
Work 35 years, disabled 5 years prior to SPA			*67.9*	*67.9*			*51.4*	*51.4*
Early entry in the labour market: from age 20 to SPA			*80.1*	*80.1*			*64.4*	*64.4*
Index: 10 years after retirement at SPA			*86.8*	*86.8*			*71.4*	*71.4*
Extended part-time period for childcare			*63.8*	*63.8*			*49.0*	*49.0*
Survivor ratio 1*				*0.5*				
Survivor ratio 2*				*0.7*				
Low earnings (66%)								
Base case: 40 years up to SPA	*84.2*	*84.2*	*82.8*	*82.8*	*69.0*	*69.0*	*64.8*	*64.8*
AWG career length case	*84.2*	*84.2*	*87.3*	*82.8*	*69.0*	*69.0*	*68.3*	*64.8*
Career break - unemployment: 3 years	*84.2*	*84.2*	*82.8*	*82.8*	*69.0*	*69.0*	*64.8*	*64.8*
Career break - childcare: 3 years	*84.2*	*84.2*	*82.8*	*82.8*	*69.0*	*69.0*	*64.8*	*64.8*
Short career (20-year career)	*51.5*	*51.5*	*34.4*	*34.4*	*41.4*	*41.4*	*30.1*	*30.1*
Early entry in the labour market: from age 20 to SPA			*90.7*	*90.7*			*71.2*	*71.2*
High earnings (200%)								
Base case: 40 years up to SPA	*34.7*	*34.7*	*38.0*	*38.0*	*25.8*	*25.8*	*29.5*	*29.5*

**Survivor ratio 1: man base case, woman base case*

**Survivor ratio 2: man base case, woman short career case*

Table 28: Gross and Net present (2022) and future (2062) TRRs.

Going one step backwards and focusing further on the context of inflation , one needs to assess the consumption baskets of the retired household and with it, its respective exposure to inflation. Following the COVID-19 pandemic, a series of global events led to unprecedented inflationary pressures. Recovery from lockdowns created a supply-demand imbalance due to supply-chain disruptions, while the Russia-Ukraine conflict disrupted international commodity markets, particularly energy. Malta saw inflation rates peak at 7.4%-7.5% in late 2022, the highest since the OPEC crisis. Euro area inflation reached 10.6% in October 2022, with both regions experiencing persistently high inflation through 2023. The Central Bank of Malta reported that real household disposable income growth slowed from 4.0% in 2021 to 2.5% in 2022, despite a 9.0% increase in nominal disposable income driven by strong employment growth. Inflation reduced disposable income by approximately 5.4% in 2022.

High inflation has significant distributional implications, potentially exacerbating inequality and affecting monetary policy effectiveness. Studies suggest that the impact of inflation varies across households, with standard consumer price indices not fully representing these

differences. This heterogeneity can lead to underestimations of inequality and nuanced impacts on household welfare and economic stability. Michael et al. (1975) demonstrated significant variation in inflation experiences among different U.S. households, which remains stable over time. Hobijn and Lagakos (2003) found that inflation varies greatly due to price changes in education, health care, and gasoline, with the elderly facing higher inflation due to healthcare costs and low-income households being more affected by gasoline price fluctuations. Bobasu et al. (2023) noted that the recent high inflation period significantly impacted lower-income households, who spend more on energy and food, magnifying the distributional effects of inflation.

In the Maltese context, Darmanin (2021) shows that low-income households predominantly spend their income on necessities such as food, housing, and energy. In contrast, higher-income households allocate more of their spending to luxury goods and services, including restaurants, hotels, recreation, culture, and transport. This difference in spending patterns highlights the varying impact of inflation on different income groups, with lower-income households more affected by price changes in essential items. Going forward, comparing retired households (with no dependent children and at least one adult aged 65 or older) to non-retired households (composed of two adults and two children), it is observed that retired households spend more on food, utilities, personal care, and health. In contrast, non-retired households allocate more of their budget to transport, recreation and culture, and clothing and footwear. These observations outline differing expenditure priorities based on household composition and age.

Furthermore, other internal studies find that in terms of expenditure, using available categories of key expenditure items (including food, utilities, rent and interest), the data suggests that, on average, households continue to spend similar amounts per person across the life cycle. Put differently, when accounting for household composition, expenditure on the selected components remains relatively constant over the household life cycle, declining slightly only due to the lesser role of interest payments on mortgages at older ages (refer to figure 51 below).

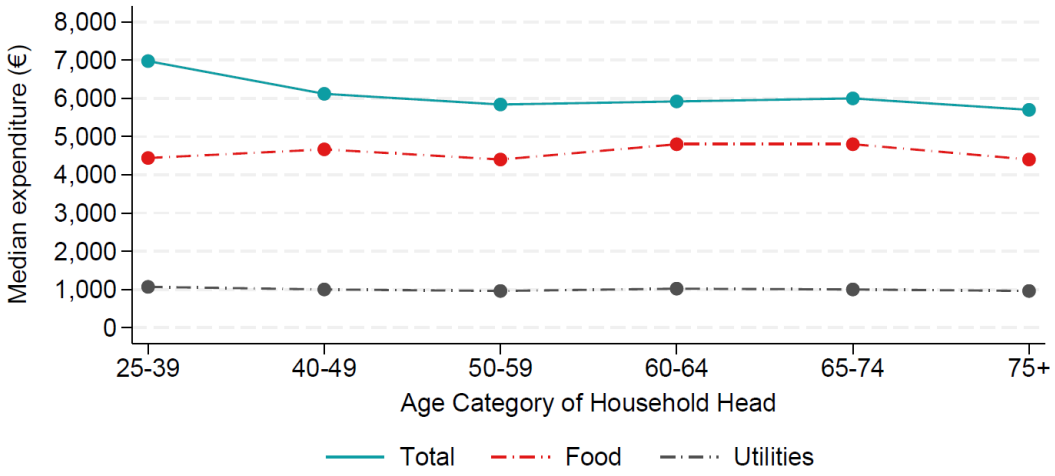

Figure 51: Annual median equivalized expenditure on key items by household age category (HFCS 2021).

Furthermore, extrapolating off Darmanin (2021)'s work, Grech et al. (2024) show that during the period between January 2022 and September 2023, while all households experienced relatively high levels of inflation, computing separate inflation rates for the young and retired households outlined that retired households have experienced higher inflation than non-retired

households. The inflation gap between retired and non-retired households sharply increased, surpassing the historical average. This gap peaked at 1.5 percentage points in November and December 2022, the highest since 2010, with retired household inflation reaching 8.1% in December 2022. Additionally, since October 2022, the inflation rate for retired households has exceeded the official inflation rate, peaking at a 1.3 percentage point difference in August 2023. The inflation experience of retired households closely mirrors that of lower-income households. The primary factor contributing to the inflation gap between retired and non-retired households has been persistently high food inflation, followed by housing goods and services. Conversely, recreation and culture have slightly reduced this gap, as they constitute a larger portion of younger households' spending.

Interlinking inflation with the reported replacement rates is the income and wealth portfolios of today's pensioners. In terms of the latter, Grech et al. (2024) additionally look at the household heterogenous income portfolio, with a focus on the elderly cohort. Specifically, the authors note that when income portfolios are assessed by age, the main source of income for the elderly cohort is from pensions; where approximately 60% of their income stems from state pensions. However, this same cohort is also characterized by having quite a diversified portfolio of income sources, with income generated from employment supplementing income from pensions. Similarly, whilst Gatt and Abela (2022) found that retired Maltese households generally possess substantial wealth, primarily in illiquid assets, these households predominantly depend on state pensions for their expenditures; making it difficult to adjust to unexpected financial shocks. Additionally, the same study reports that elderly households have very low debt levels, a slightly more diversified wealth portfolio compared to other age groups and older households are found to have higher financial buffers than younger households and have more wealth (expressed by assessing the median value of assets) across all wealth quartiles when compared to their young and middle-aged counterparts.

Coming to the crux of the paper, Grech et al. (2024) focused on whether these pensions have maintained their real value amidst recent inflationary trends, particularly analysing the years 2022 and 2023, and projecting changes for 2024. Specifically, the study evaluated three types of pensions: the single minimum pension, the married minimum pension, and the maximum married pension, applicable to retirees born in 1946 who retired in 2007. Maltese state pensions are adjusted for inflation through a cost-of-living adjustment, with increments consisting of two-thirds of the COLA supplemented by a CLBO. Additionally, pensioners receive statutory bonuses such as a biannual 6-Monthly Bonus (€135.10) and a weekly Special Bonus (€3.12). Those on minimum pensions also benefit from a Supplementary Allowance (SPA), which has seen incremental increases over recent years; whereby since 2020, maximum weekly SPA rates for single and married persons increased from €4.50 to €12.82, and €12.54 to €24.80, respectively. Furthermore, since 2015, non-pensioners reaching state pension age with less than 10 years of social security contributions receive a Deficiency Contributions Benefit (DCB). Additionally, individuals aged 75 and above receive a Senior Citizen's Grant (SCG).

Analysing the period from 2013 to 2021, nominal pensions have notably increased, with minimum pensions showing larger growth compared to maximum pensions, narrowing the gap between them. This trend is influenced by incremental adjustments to benefits like the DCB and SPA.

To evaluate pensions in real terms, nominal values are adjusted using the retired household inflation rate, which tends to be slightly higher than general inflation rates. Until 2021, pensions generally kept pace with inflation due to periodic adjustments and additional benefits. However, maximum pensions, which include fixed bonuses like the 6-Monthly Bonus (6MBO) and Special Bonus (SPBO), saw more stable real growth compared to minimum pensions.

In 2022, all pensions lost real value despite a COLA of €1.75, which fell short of compensating for a higher estimated retired household inflation rate of 6.3%. Minimum pensions, boosted by SPA and DCB increases, managed a slight real increase. Conversely, maximum pensions declined in real value as fixed bonuses failed to keep up with inflation. In the 2023 Budget an additional COLA mechanism targeting low-income families was introduced but initially excluded certain groups of pensioners, thereby posing challenges for those on maximum pensions facing higher inflation without additional support.

Thus, the study anticipates the evolution of pension values considering the retrospective nature of the COLA and ongoing high inflation rates. In Budget 2024, pensions received a collective increase of €15 in weekly rates and the Cost-of-Living Bonus (CLBO), surpassing the €12.81 COLA expected to impact pensioners. This adjustment is income-dependent, relative to the poverty threshold and household size.

Projections from December 2023 estimated a retail price index (RPI) of 5.1% for 2023 and 2.9% for 2024. Adjusting for retired households, the inflation rate was anticipated to be higher, reaching 5.9% in 2023 and 3.1% in 2024. Pensions are evaluated in real terms using this inflation rate, indexed to 100 in 2021. In 2023, inflation was expected to nullify the increases in pensions, bringing minimum pensions' purchasing power back to 2021 levels. However, projections indicate a real improvement for minimum pensions in 2024, driven by the Budget 2024 increments and enhancements in the COLA mechanism. This adjustment, now a top-up for those earning below the median household income, could elevate real purchasing power by nearly 5% for married-rate pensioners.

Partially stemming off from the inflationary shielding of pensions and adjacent benefits is their collective effect on minimally achieving the lowest standard of living in old age. The statement presents due consideration as to what defines the minimum standard of living and the underlying importance of quantifying such a state. Starting off from the latter, empirical literature dictates that savers rarely consider how much income they will need in retirement and even if individuals are more inclined to do so, there is no consensus as to what is the amount that should be saved. In the case of Malta, and other countries, the lack of benchmarks makes it challenging for people to estimate their required retirement income.

Taking one step backwards, in contrast to the local context, several other countries developed their own standards of living. For example, since 2004, the Association of Superannuation Funds of Australia (ASFA) Retirement Standard has been a reliable guide for retirement savings in Australia, offering detailed expense breakdowns for maintaining a comfortable or modest lifestyle for both couples and singles. It also estimates the necessary superannuation balance to achieve these lifestyles.

The ASFA Research and Resource Centre provides two key documents:

1. Detailed Retirement Expenditure Breakdowns: This document, updated quarterly, lists the weekly and annual expenses required for both comfortable and modest lifestyles in

retirement for couples and singles. It reflects changes in the Consumer Price Index (CPI) and assumes retirees own their homes outright and are in good health.[40]

2. ASFA Retirement Standard Explainer: This document outlines the lump sums needed at retirement to fund a comfortable or modest lifestyle for both couples and singles, including the methodology for these calculations. It assumes retirees will draw down all their capital and receive a part Age Pension. [41]

For the sake of this report, primacy is solely given to the retirement expenditure breakdown, as reported in table 29 below.

Category	**Comfortable retirement**	**Modest Retirement**	**Age pension**
Holiday	One annual holiday in Australia.	One or two short breaks in Australia near where you live each year.	Even shorter breaks or day trips in your own city.
Food, eating out and takeaway	Regularly eat out at restaurants. Good range and quality of food.	Infrequently eat out at restaurants that have cheap food. Cheaper and less food than a 'comfortable' lifestyle standard.	Only club special meals or inexpensive takeaway.
Transport	Owning a reasonable car.	Owning an older, less reliable car.	No car or, if you have a car, it will be a struggle to afford repairs.
Alcohol	Afford bottled wine.	Afford cask wine.	Home brew beer or no alcohol at all.
Clothing and footwear	Good clothes.	Reasonable clothes.	Basic clothes.
Personal care	Afford regular haircuts at a good hairdresser.	Afford regular haircuts only at a basic salon or pensioner special day.	Less frequent haircuts or getting a friend to cut your hair.
Leisure	Take part in a range of regular leisure activities.	Take part in one paid leisure activity infrequently. Some trips to the cinema.	Only taking part in no cost or very low cost leisure activities. Rare trips to the cinema.
Electronic equipment	A range of electronic equipment.	Not much scope to run air conditioner.	Less heating in winter.
Household maintenance and repair	Replace kitchen and bathroom over 20 years.	No budget for home improvements. Can do repairs but can't replace kitchen or bathroom.	No budget to fix home problems like a leaky roof.
Health	Private health insurance.	Private health insurance.	No private health insurance.

Table 29: ASFA's retirement standards of living.

[40] https://www.superannuation.asn.au/wp-content/uploads/2025/03/ASFA_Retirement_Standard_Budgets_Dec-24_quarter.pdf.
[41] https://www.superannuation.asn.au/wp-content/uploads/2023/10/ASFA-Retirement_Standard-Summary-2023.pdf.

Going forward, inspired by the system used in Australia, the Pensions and Lifetime Savings Association (PLSA) in the UK has established Retirement Living Standards to help people understand the income needed for different lifestyles in retirement. These standards provide clear and accessible benchmarks for retirement income, categorized into three levels: Minimum, Moderate, and Comfortable. Each level outlines the annual income required for a certain standard of living, including specific examples of what that income can afford. Put differently, each standard is based on a basket of goods and services and considers different circumstances, such as living inside or outside London and whether one is single or part of a couple. Table 30 provides a detailed description of each standard, as well as what is included within each standard's basket of goods.

Standard of living	Description	Methodology
Minimum	"A minimum standard of living in the UK today includes, but is more than just, food, clothes and shelter. It is about having what you need in order to have the opportunities and choices necessary to participate in society."	The minimum standard is indirectly derived through the Minimum Income Standard which refers to what the general public believes is the minimum acceptable standard of living in the UK. Such a metric is also utilised to calculate the living wage, poverty measures and targets, etc.
Moderate	"A moderate standard of living in retirement in the UK is about more than just meeting your basic needs. It means being able to access a range of opportunities and choices, having a sense of security and the option to do some of the things that you would like to do."	The moderate and comfortable Retirement Living Standards (RLS) are determined through a series of focus groups composed of members of the public. These groups engage in detailed discussions about the necessities for achieving a specific living standard. They cover all budget aspects, including the required goods and services, their quality, lifespan, and purchase locations. Each group typically includes eight to ten people from diverse socio-economic backgrounds, both retired and those nearing retirement (over 50). Using the approach developed through the Minimum Income Standard (MIS), the RLS groups aim to reach a consensus among these mixed groups. Participants employ a method of projection, considering not their own needs and preferences but those of hypothetical individuals (or 'case studies'). They are asked to imagine walking through the homes of these hypothetical individuals to develop a comprehensive picture of the lifestyle required to meet the defined living standards.
Comfortable	"A comfortable standard of living in retirement in the UK is about more than just meeting your basic needs; it is about having a broad range of opportunities and choices, peace of mind and the flexibility to do a lot of the things that you would like to do."	

Table 30: PLSA's retirement standards of living.

Taking a step back from the two primary practical case examples, empirical literature shows how social scientists over the years have shifted in terms of defining and quantifying living standards. At the beginning of the 21st century, the UK saw significant research activity in budget standards, with three university-based teams employing different methodologies. A 2004 report for the Zacchaeus 2000 Trust and a comparative study in the *Journal of Social Policy* (Deeming, 2005a) highlighted these approaches:

- Low Cost but Acceptable (LCA) and Modest but Adequate (MBA) Standards: These methods, rooted in Townsend's theory of relative deprivation, assessed minimum living costs based on societal consumption patterns.
- Minimum Incomes for Healthy Living (MIHL): This approach used public health evidence to determine the income required for maintaining good health.
- Consensual Budget Standards (CBS): Developed at Loughborough University, this method relied on public focus groups to define socially acceptable income levels.

During this time, NGOs advocated for the adoption of minimum income standards, even engaging with Prime Minister Tony Blair in 2003. However, policymakers criticized the lack of methodological consistency, leading to the rejection of reference budget standards in child poverty policy reviews in the UK (2002–03) and Australia (Deeming, 2005a, 2011b). The Harmer Review (2009) reinforced these criticisms, arguing that variations in methodology undermined reliability.

Recognizing the need for a unified framework, Deeming (2005a) called for an integrated approach, later engaging the Joseph Rowntree Foundation (JRF) to establish a Minimum Income Standards (MIS) research team in 2006. Led by Middleton and Bradshaw, and supported by experts like Deeming, Walker, and Veit-Wilson, the team merged elements from CBS, LCA, and MIHL. Their approach aligned with World Health Organization (WHO) recommendations, aiming to ensure sufficient resources for health and social participation. The first MIS study (Bradshaw et al., 2008) successfully combined these methodologies, influencing subsequent research across multiple countries.

In essence, there are three major types of budgets standard approaches. These include:

1. Consensual Budget Standards (CBS) and Minimum Income Standards (MIS):
    - A bottom-up approach based on public focus groups to define an acceptable living standard (Padley and Shepherd, 2019).
    - Instead of relying on expert analysis, MIS engages the public in deliberative discussions about needs.
    - This participatory method aligns with Townsend's theory of relative poverty, emphasizing social norms over subsistence levels.
    - The iterative process refines the definition of a dignified standard of living through multiple rounds of public consultation.
2. Expert-led Approaches:

- These rely on specialists (e.g., nutritionists, social scientists) to determine essential living standards.
- Historically influenced by medical and dietary needs, expert-driven frameworks construct normative budgets for essential goods and services.
- While scientifically rigorous, these methods may lack public legitimacy as they do not directly reflect societal values.

3. Expenditure-Based (Survey-Led) Approaches:
   - This top-down method examines spending patterns to estimate required income for different living standards.
   - By analyzing expenditure within specific income percentiles, researchers estimate required budgets for different lifestyle levels.
   - While useful for benchmarking, this method does not define what constitutes a dignified standard of living.

Table 31 provides the distinguishing factors between different approaches of determining the reference basket of goods required for living (standard of living).

	EXPERT-LED	**CITIZEN-LED**	**SURVEY-LED**
WHO IS 'EXPERT'	Scientist/Social Scientist.	Citizen.	Social Scientist.
KEY VALUES/EMPHASIS	Human needs.	Social participation.	Social inclusion.
STANDARDS	Scientific consensus, human needs standard.	Public consensus, publicly acceptable social standard.	Statistical consensus, adequate social standard.
VALIDITY	Scientific, situated in knowledge and understanding of human needs.	Participatory or deliberative democratic, situated in public understands and the reported experience of citizens.	Scientific, situated in knowledge and understand of social necessity.
RELIABILITY	High, measure is likely to be consistent across populations but may change across time (with new knowledge).	Low, measure is not designed to be consistent out of context the local context in which it was generated.	High, measure is likely to be consistent and comparable across populations and time.
GENERALISABILITY	Aims to produce highly generalisable standards across country contexts, strength in cross-	Aims to produce relative standards grounded in local and national contexts, methods	Aims to produce relative but highly generalisable cross-

	national comparability	are generalisable but standards from one context should not be imposed on another.	national comparative standards.
STRENGTHS	Measuring, monitoring and ensuring a consistent minimum income standard or protection floor in Europe.	Monitoring and shaping national minimum income protection floors in European country contexts.	Measuring and monitoring European living standards and inequality levels across time.

Table 31: Distinguishing between different approaches of determining the reference basket of goods required for living (standard of living).

Extending on the previously outlined examples of the United Kingdom and Australia, Table 32 examines international case studies on budget income standards, analyzing how different nations develop and implement these benchmarks. In other words, the table explores various approaches, including government-led and independent frameworks, highlighting the cultural, economic, and political influences on income standards globally; also providing due consideration towards the effects on social equity and well-being.

COUNTRY/REGION	KEY INSIGHTS
UNITED KINGDOM	Jonathan Bradshaw reflects on budget standards research, including the Family Budget Unit (FBU) and the Minimum Income Standard (MIS). MIS remains above benefit levels and poverty thresholds, except for pensioners. A new poverty indicator is based on households below 75% of MIS.
IRELAND	Research led by the Vincentian Partnership for Social Justice evolved from the LCA approach to the Minimum Essential Standards of Living (MESL), aligning with the UK's MIS. MESL influences Ireland's living wage calculations but is not fully covered by social welfare payments.
FRANCE	Reference budget research has followed the MIS model since 2015 but has not influenced political action. The guaranteed minimum income remains below reference budget levels.
JAPAN	MIS research, conducted between 2010-2013 and repeated in 2017, has contributed to social security discussions but has not led to policy changes. A shift to conservative governance in 2012 hindered reform momentum.
SINGAPORE	The first MIS study (2018) focused on older adults, emphasizing "basic" rather than "minimum" to highlight adequacy. Findings show pension and transfer schemes are inadequate, with many older Singaporeans living on half the socially acceptable income.
SOUTH AFRICA	MIS research faces challenges due to economic disparities and cultural diversity. Ethical concerns arise when participants from different socioeconomic backgrounds are brought together. Despite difficulties, the study offers insights for applying budget standards in unequal societies.
FINLAND	Consensual reference budgets were developed in 2010 and updated in 2018 using focus groups, diary assignments, and expert reviews.

	Policymakers and media have taken interest, but social benefits fall 70% short of budget standards, except for pensions.
BELGIUM	Reference budgets, developed since 2008, serve as benchmarks for social participation. They are widely used by policymakers and local authorities to guide financial and social assistance.
AUSTRALIA	Research, led by the Social Policy Research Centre, includes four major studies from the 1990s to 2010s. The Minimum Income for Healthy Living (MIHL) integrates public health knowledge and resembles low-cost budget standards from the 1990s.
SPAIN	The ImPRovE project develops reference budgets in Catalonia using expert guidelines and focus groups. Children's perspectives enhance reliability, emphasizing social inclusion (e.g., lack of a computer affecting school participation).
NETHERLANDS	Two reference budgets define poverty measurement: a 'basic needs' budget and an MBA budget for social participation. The latter indicates 6% of the population lived in poverty in 2016, while the stricter basic needs threshold shows 4%.
NORWAY	An expert-led approach defines an "acceptable" budget, widely used by policymakers. However, confusion arises when misinterpreted as a minimum rather than an acceptable standard.
DENMARK	Minimum reference budgets follow the LCA approach. Compared to Norway, Denmark allocates more to leisure, while Norway is more generous with food expenses.
SWEDEN	The Swedish Consumer Agency develops "reasonable living expenses" budgets based on expert-led approaches, balancing basic needs with reasonable consumption. These guide government policies and financial planning.
SLOVENIA	Three expert-led approaches define minimum income standards. Since 1994, the Orshansky "food-share" method has been used, aligning with the EU's at-risk-of-poverty standard.
PORTUGAL	The MIS and ImPRovE approaches estimate adequate income. MIS uses focus groups, while ImPRovE is expert-driven. ImPRovE's strict nutritional guidelines result in higher food budget estimates. Comparisons highlight gaps in social protection.
EUROPE	The ImPRovE project establishes reference budgets across EU states to monitor income adequacy. Benefits include better social protection policies, though standardization remains a challenge.
GLOBAL	The MIS approach requires cultural adaptation. Research in Mexico, Singapore, and South Africa shows "minimum" living standards vary, with Mexico favouring the concept of "la vida digna."

Table 32: Budget income standards in other countries/regions.

To this end, internal studies have examined the local context of retirement living standards in Malta by analyzing studies on the minimum income required for a decent standard of living. The primary focus was on CARITAS' Minimum Essential Budget for a Decent Living (MEBDL) reports (2016, 2020, and 2024) and the General Workers' Union (GWU) National Living Income (NLI) study (2022). Collectively, these studies provide insights into the evolving cost of living and the adequacy of pensions in Malta, highlighting key financial pressures faced by retirees.

Assessing the local context, the CARITAS MEBDL reports aim to define and cost a basket of essential goods and services needed by low-income households to maintain a basic but dignified standard of living. Over the years, CARITAS has refined its methodology, incorporating changes in consumption patterns, inflation, and socio-economic conditions. The 2016 report focused on "living simply with dignity", whereas the 2020 and 2024 reports expanded this definition by accounting for sustainability and inflationary pressures. The reports distinguish between a basic basket, which includes essential goods such as food, housing, healthcare, education, transport, and personal care, and an augmented basket, which considers additional but important costs like dining out, private car ownership, and commercial rent.

The 2024 CARITAS report shows a significant increase in the cost of living across all household types. For a single pensioner, the cost of the basic basket rose from €4,138 in 2020 to €4,781 in 2024, while the augmented basket increased from €9,140 to €10,684. Similarly, for a couple pensioner household, the basic basket grew from €6,956 in 2020 to €8,189 in 2024, while the augmented basket rose from €12,090 to €14,131. The most notable cost increases were in food, healthcare, and housing, with food expenses increasing by approximately 70% across all household categories due to inflation and changes in dietary requirements.

The General Workers' Union (GWU) National Living Income (NLI) study takes a broader approach, analyzing economic conditions for various household types rather than just low-income groups. Unlike CARITAS, which defines a minimum essential budget, GWU focuses on a "decent standard of living," incorporating elements of financial security, leisure, and savings. The NLI study highlights that many Maltese households, particularly those renting at market rates, struggle to meet basic living costs. Housing is identified as the most significant financial burden, with market rents increasing sharply. The study estimates that in 2020, a single adult (65+ or otherwise) required between €10,535 and €12,476 annually, while a couple without children needed between €15,802 and €18,715 to maintain a decent standard of living. For families with children, the cost was significantly higher, with a two-parent, two-child household needing between €21,078 and €26,018 annually.

A comparison between CARITAS and GWU reports reveals notable methodological differences. CARITAS assumes that pensioners live in subsidized housing, leading to lower cost estimates, while GWU includes private market rents, resulting in significantly higher estimates. CARITAS focuses strictly on basic survival needs, whereas GWU incorporates leisure, financial security, and the ability to plan for unexpected expenses. As a result, GWU's estimates are generally higher than CARITAS' basic basket but lower than its augmented basket, placing it in a middle ground between subsistence and comfortable living.

The paper additionally assesses pension adequacy in Malta by incorporating expenditure estimates from both CARITAS and GWU and comparing them to actual pension income data. The methodology follows a three-step process. First, the study derives expenditure estimates for single and couple pensioner households by using cost-transaction matrices. These matrices allocate spending across key categories such as food, healthcare, housing, transport, and personal care. The methodology accounts for fixed costs (e.g., rent, electricity, and healthcare expenses) and variable costs (e.g., food, clothing, and transport).

Second, these estimates are adjusted for inflation and economic trends using National Statistics Office (NSO) retail price indices. Ten sub-indices, including food, housing, utilities, and healthcare, are used to project expenditures from 2020 to 2024. The analysis provides a

retrospective and forward-looking view of how pensioner costs have evolved over time and provides a detailed breakdown of the evolution of the basic and augmented basket of goods for both the single and couple pensioner households. Starting off with the description, the following salient points can be derived when assessing the figures 52-56:

i. Utilising the 2016 CARITAS point estimate as the base year;

   a. The basic basket for a single pensioner household in 2020 would have stood at €4,138 and increased to €4,871 by 2024;

   b. The basic basket for a couple pensioner household in 2020 would have stood at €6,956 and increased to €8,189 by 2024;

   c. The augmented basket for a single pensioner household in 2020 would have stood at €9,140 and increased to €10,684 by 2024;

   d. The augmented basket for a couple pensioner household in 2020 would have stood at €12,090 and increased to €14,131 by 2024;

ii. Utilising the 2020 CARITAS point estimate as the base year;

   a. The basic basket for a single pensioner household in 2020 stood at €4,867 and increased to €5,717 by 2024;

   b. The basic basket for a couple pensioner household in 2020 stood at €8,157 and increased to €9,580 by 2024;

   c. The augmented basket for a single pensioner household in 2020 stood at €14,430 and increased to €17,731 by 2024;

   d. The augmented basket for a couple pensioner household in 2020 stood at €17,780 and increased to €21,847 by 2024;

iii. Utilising the 2024 CARITAS point estimate as the base year;

   a. The basic basket for a single pensioner household in 2020 would have stood at €7,185 and increased to €8,349 by 2024;

   b. The basic basket for a couple pensioner household in 2020 would have stood at €12,447 and increased to €14,463 by 2024;

   c. The augmented basket for a single pensioner household in 2020 would have stood at €16,219 and increased to €19,979 by 2024;

   d. The augmented basket for a couple pensioner household in 2020 would have stood at €21,562 and increased to €26,560 by 2024;

iv. Utilising the 2020 GWU's point estimate as the base year;

   a. The basket for a single pensioner household to live decently in 2020 would have stood at €10,535 and increased to €12,745 by 2024;

   b. The basket for a couple pensioner household to live decently in 2020 would have stood at €15,802 and increased to €19,103 by 2024;

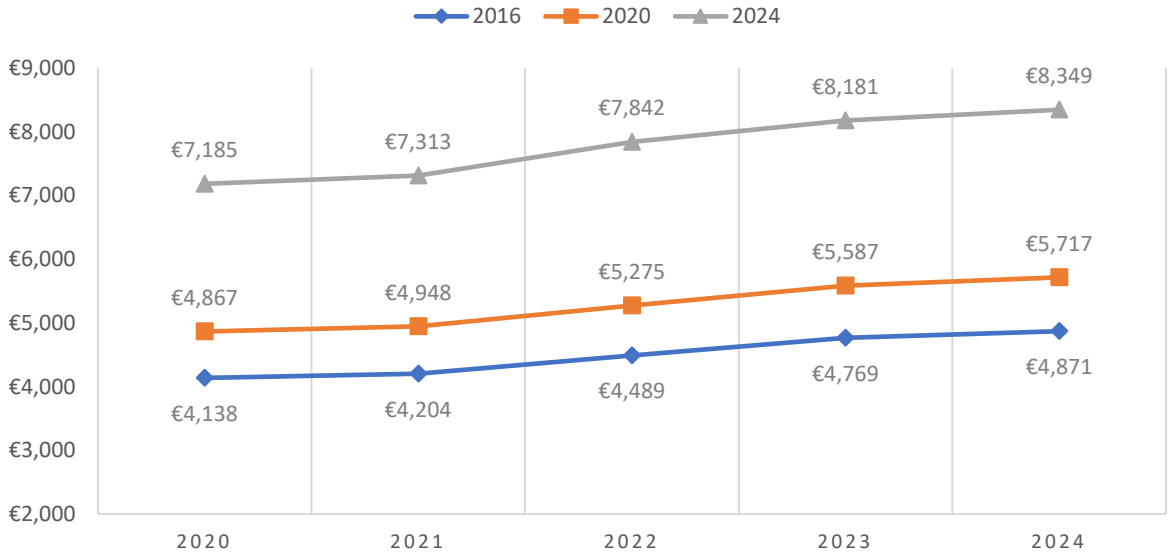

Figure 52: CARITAS basic basket for a single pensioner household.

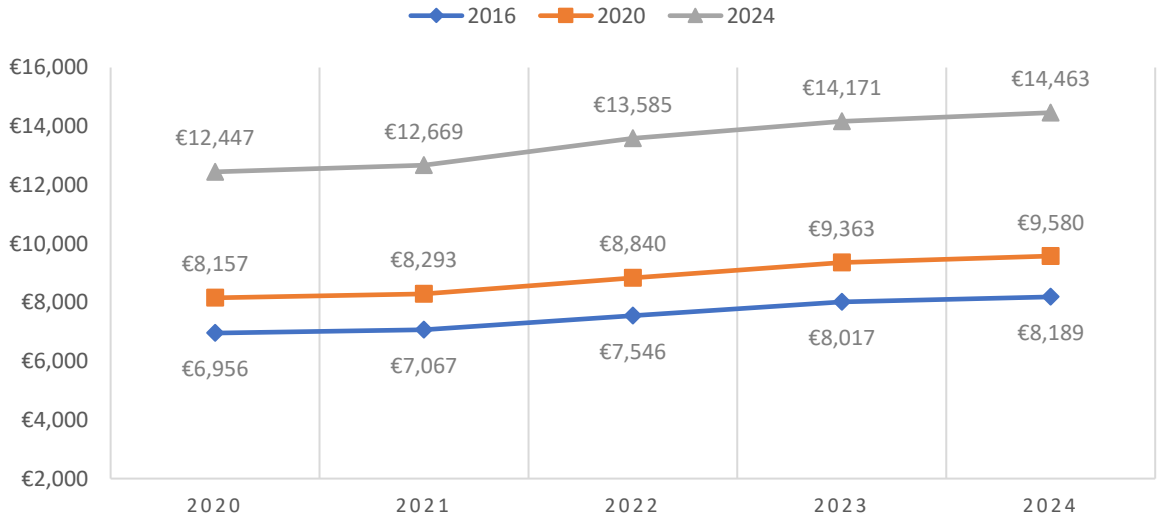

Figure 53: CARITAS basic basket for a couple pensioner household.

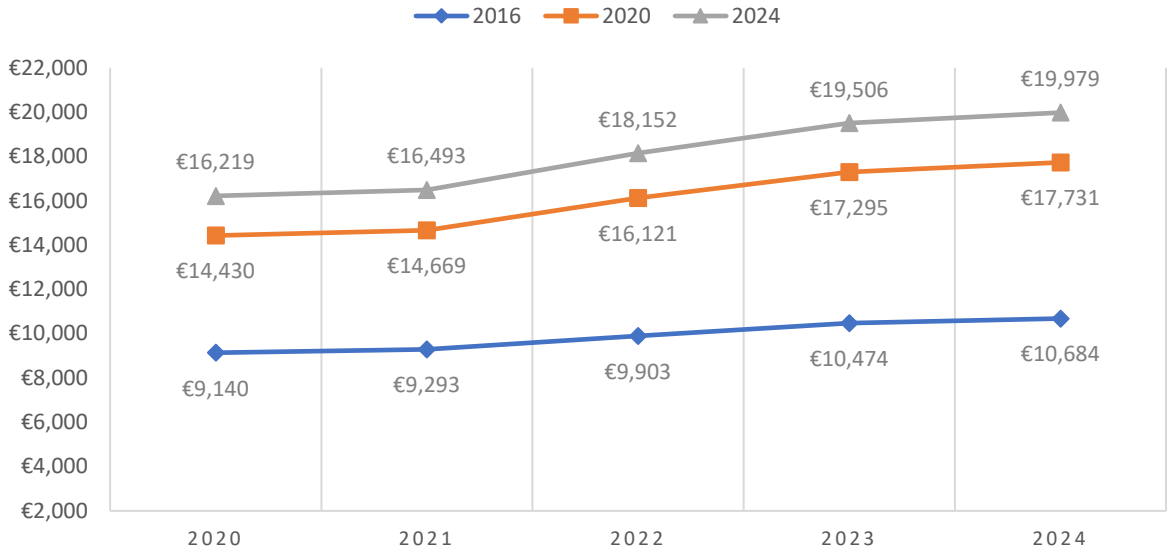

Figure 54: CARITAS augmented basket for a single pensioner household.

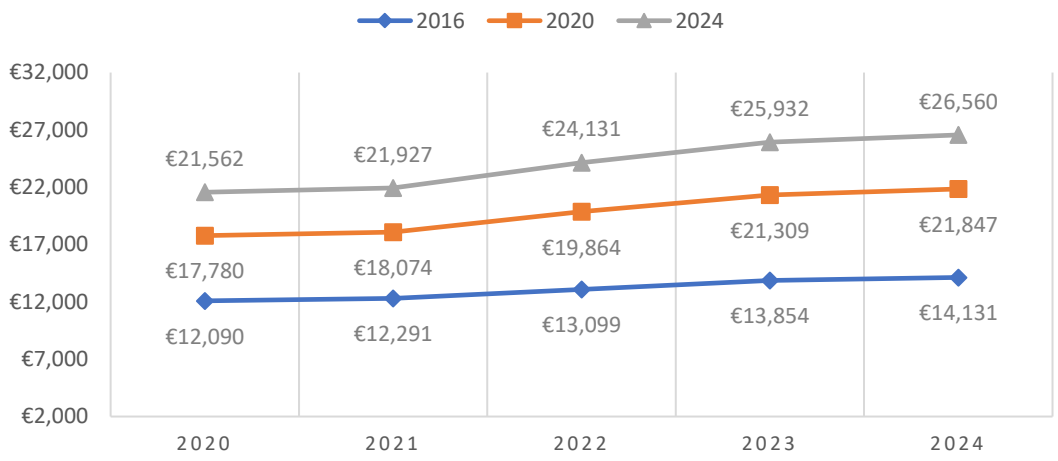

Figure 55: CARITAS augmented basket for couple pensioner household.

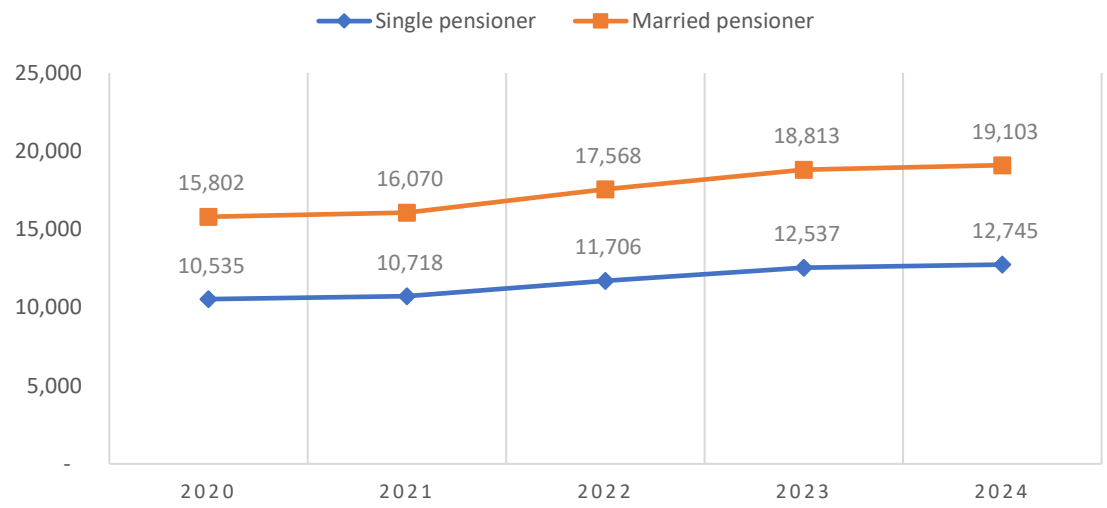

Figure 56: GWU baskets for a single and couple pensioner household

In light of both latter and former remarks, Figures 57 and 58 provide the average costing of the single and couple pensioner baskets utilising the 2016, 2020 and 2024 CARITAS base year estimates of basic basket estimates; as well as provide the average costing of the single and couple pensioner baskets utilising the 2016, 2020 and 2024 CARITAS base year estimates of basic and augmented estimates, and the average costing of the single and couple pensioner baskets utilising all derived estimates (i.e. now including GWU estimates).

With reference to both figures, the following salient points are derived:

i. The average cost of a single pensioner basket, strictly utilising CARITAS basic basket estimates, in 2020 was approximately €5,397 and increased to €6,312 by 2024;

ii. The average cost of a single pensioner basket, strictly utilising CARITAS basic and augmented basket estimates, in 2020 was approximately €9,330 and increased to €11,222 by 2024;

iii. The average cost of a single pensioner basket utilising all estimates in 2020 was approximately €9,502 and increased to €11,439 by 2024;

iv. The average cost of a couple pensioner basket, strictly utilising CARITAS basic basket estimates, in 2020 was approximately €9,187 and increased to €10,744 by 2024;

v. The average cost of a couple pensioner basket, strictly utilising CARITAS basic and augmented basket estimates, in 2020 was approximately €13,165 and increased to €15,795 by 2024;

vi. The average cost of a couple pensioner basket utilising all estimates in 2020 was approximately €13,540 and increased to €16,140 by 2024;

Thus, adjusting the previously mentioned statement positioning the GWU's estimates in CARITAS estimates, GWU figures can be denoted as being more reflective of the average basket (basic and augmented) when adjusting for CARITAS reports different base years. The adjustment when adding GWU's estimates to the average (i.e. when shifting from the 2nd to the 3rd indicator), there is a minimal change of approximately 1.9% and 2.2%, for the single and couple pensioner baskets, respectively.

Put differently, by combining the different estimation methodologies of CARITAS and GWU, there is a confident level of consensus in applying an average as the metric of what it costs a single and couple pensioner household to have an adequate or decent standard of living.

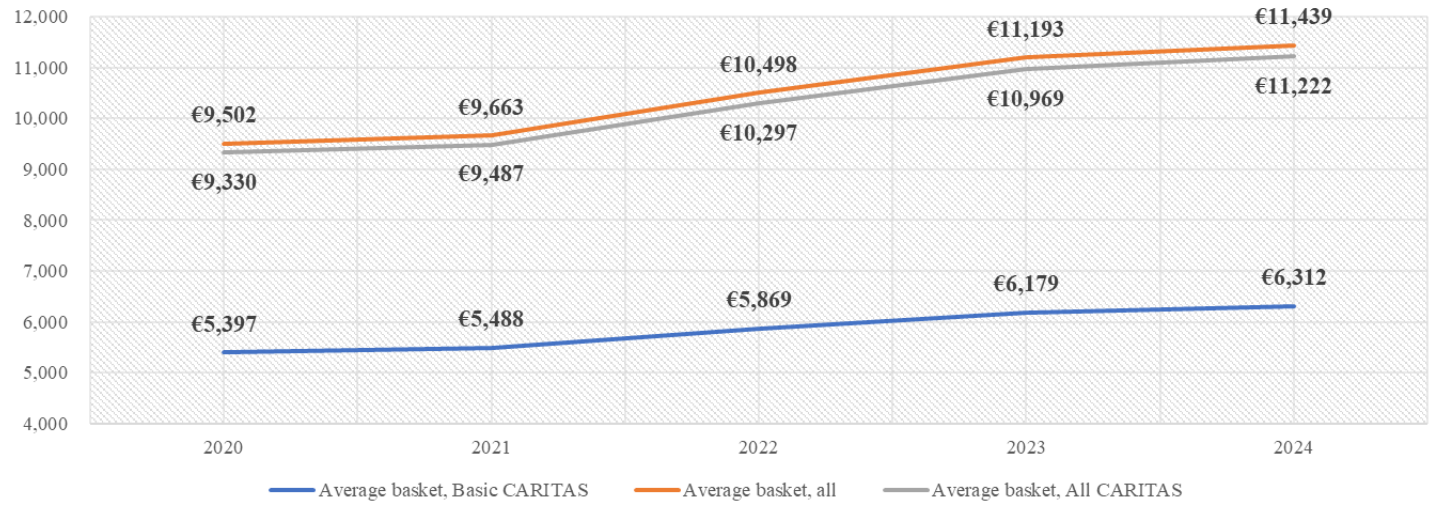

Figure 57: Average cost of single pensioner basket.

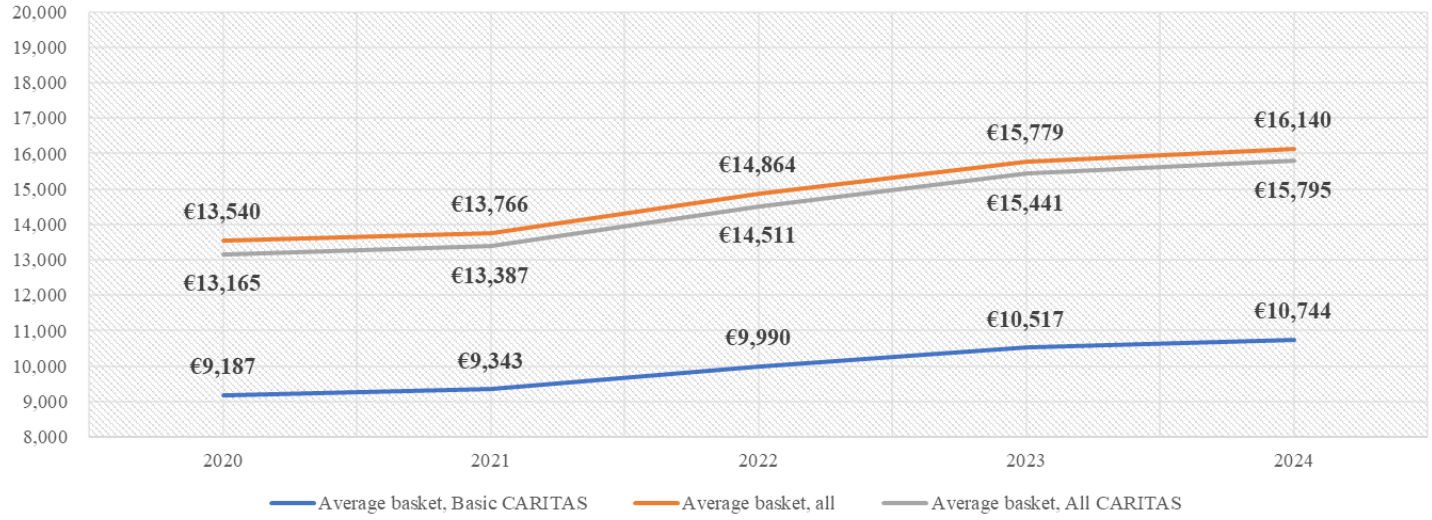

Figure 58: Average cost of couple pensioner basket.

Finally, pension income adequacy is assessed by comparing actual pension benefits to the estimated costs of living. Seven main pension types are analyzed, including the Two-Thirds Pension (pre- and post-1962), the Guaranteed National Minimum Pension, the National Minimum Pension, the National Minimum Widows' Pension, and the Old Age Pension. The framework of assessment for pension benefit adequacy is not strictly based on the main pension benefit but also linked to other applicable contributory and non-contributory benefits that the individuals within the household were expected to be in receipt of. Building off the latter, Table 33 presents the definitions of all benefit incomes considered in this study, whilst Figures 59-61 present the annual income figures for the three types of pensioner households receiving different main pensions.

Benefit	***Definition***
Two-thirds pension, pre-1962	Pension related to earnings, payable to persons who have retired after January 1979. This scheme provides for a pension equivalent to two-thirds of the insured person's pensionable income. Maximum and minimum rates are applicable. This refers to an individual born before the 1st of January 1962.
Two-thirds pension, post-1962	Pension related to earnings, payable to persons who have retired after January 1979. This scheme provides for a pension equivalent to two-thirds of the insured person's pensionable income. Maximum and minimum rates are applicable. This refers to an individual born on or after the 1st of January 1962.
Guaranteed National Minimum Pension	A person born on or after the 1st January 1962 who is not entitled to a Service Pension shall be entitled to a Guaranteed National Minimum Pension (GNMP) which shall be payable at a rate which is not less than 60 percent of the National Median Income.
National Minimum Pension	Payable to a person who is not in receipt of a Service Pension from an employer. The rates applicable are four-fifths of the National Minimum Wage in the case of a married man maintaining his wife and two-thirds of the National Minimum Wage in the case of any other person.
National Minimum Invalidity Pension	Payable to persons who are incapable for suitable full-time or part-time employment due to suffering from a serious disease or physical or mental impairment. Applicants must not be in receipt of a service pension.
National Minimum Widows Pension	Payable to widows, irrespective of age, who are not gainfully occupied, who are occupied but earning less than the national minimum wage, or who are carrying out gainful activities but have the care and custody of children under 16 years of age. Rates may vary according to conditions outlined in the Social Security Act (Social Security Act, Part IV, and subsequent amendments). Any reference to a widow also means a widower.
(Old) Age Pension	Payable to citizens of Malta over 60 years of age provided that his/her weekly means fall below the benchmark established by the Social Security Act.
Cost-of-living bonus	This is one of three statutory bonuses. Beneficiaries who is receiving a Contributory Pension (Retirement Pension; Two-Thirds Pension; Widow/er's Pension; Invalidity Pension) or a Non-Contributory Pension (Age Pension) is entitled for the Cost-of-Living Bonus. This represents the benefit whereby when a Cost-of-Living Adjustment (COLA) is announced in the budget, (one third) of the cost-of-living increase is paid as a pension cost of living bonus (CLBO) and the remainder of the increase (two-thirds) is added to the pension rate.

Special weekly bonus	Refers to the payment (added to the pension rate) of the two-thirds of the March and September Bonus (SPBO).
Six-monthly bonus	A bi-annual payment paid in May/June and November/December.
Supplementary allowance	Payable to households where the total income of the members falls below the limits outlined by the Social Security Act.
Additional Supplementary allowance	Payable to households where the total income of the members falls below the limits outlined by the Social Security Act, whereby in individual is aged 65 years and older.
Additional Cost-of-living-allowance	An additional COLA payment to assist low-income families with the rising cost of living. The mechanism is triggered whenever the following criteria is satisfied: 1. The inflation rate for the 12 months prior exceeds 2%. 2. Individual inflation during the same period is higher than the average of the previous five years for at least three of the five basic components in regard to the Retail Price Index (RPI) (i.e. Food; Accommodation; Electricity, Water, Gas and Fuel; Costs related to home maintenance and household appliances; and private health care). The mechanism is payable to all recipients of social benefits and whose annual income is below the Median Equivalised Income. Payments vary and are dependent on each household's income together with number of recipients.
Maximum Pensionable Income Adjustment	Pensioners whose pensionable income is greater than the pre-62 maximum pensionable income benefit from an additional (capped) pension increase.

Table 33: Definitions of all benefit incomes considered in the study.

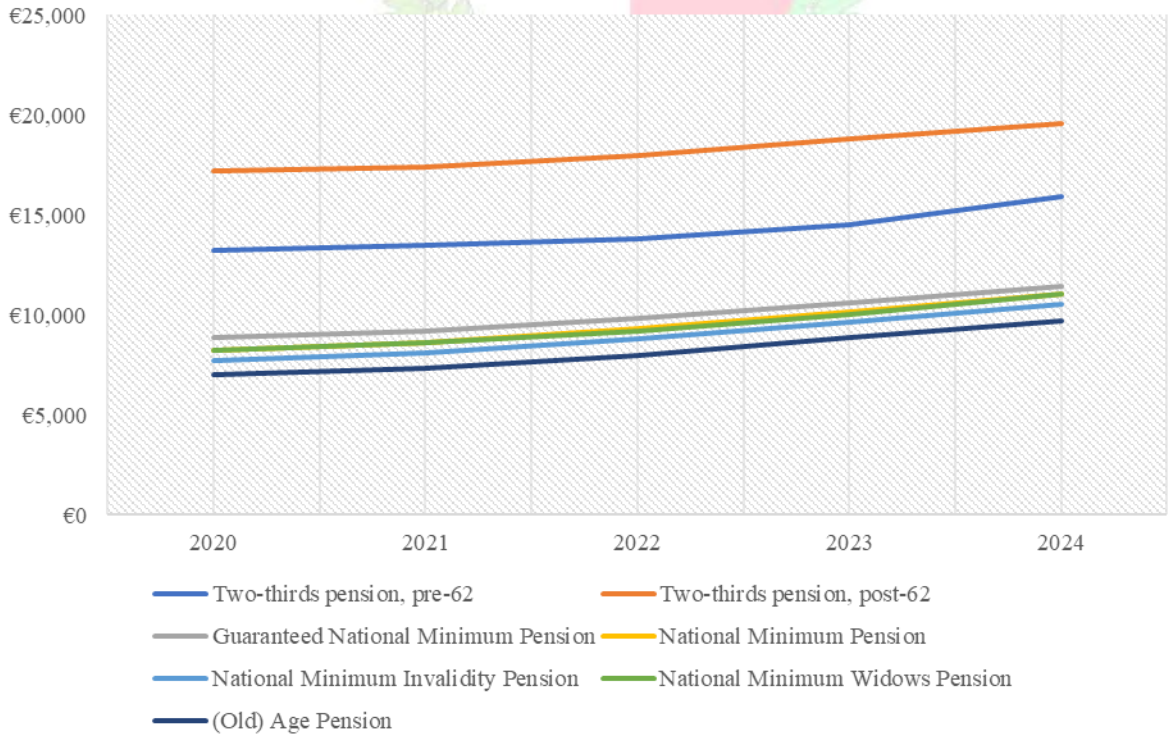

Figure 59: Single pensioner household income, by pension type.

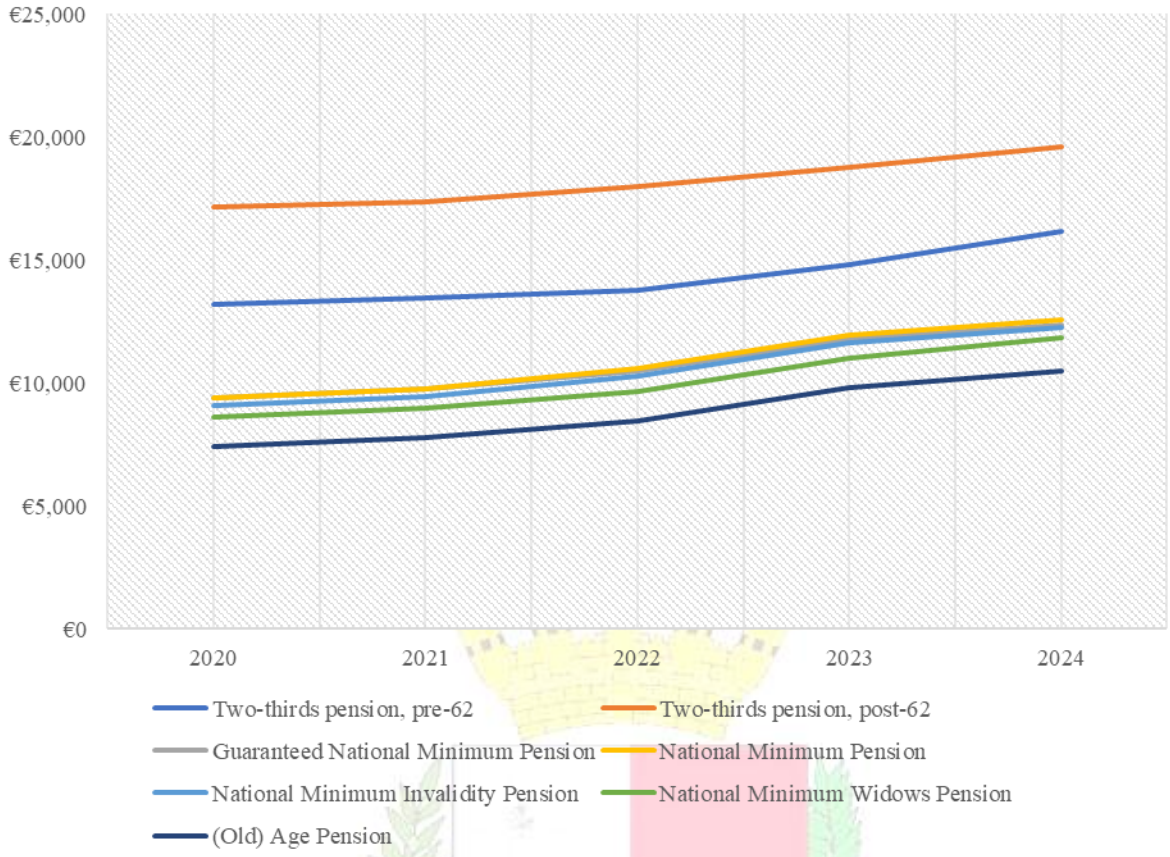

Figure 60: Single-pension couple household income, by pension type.

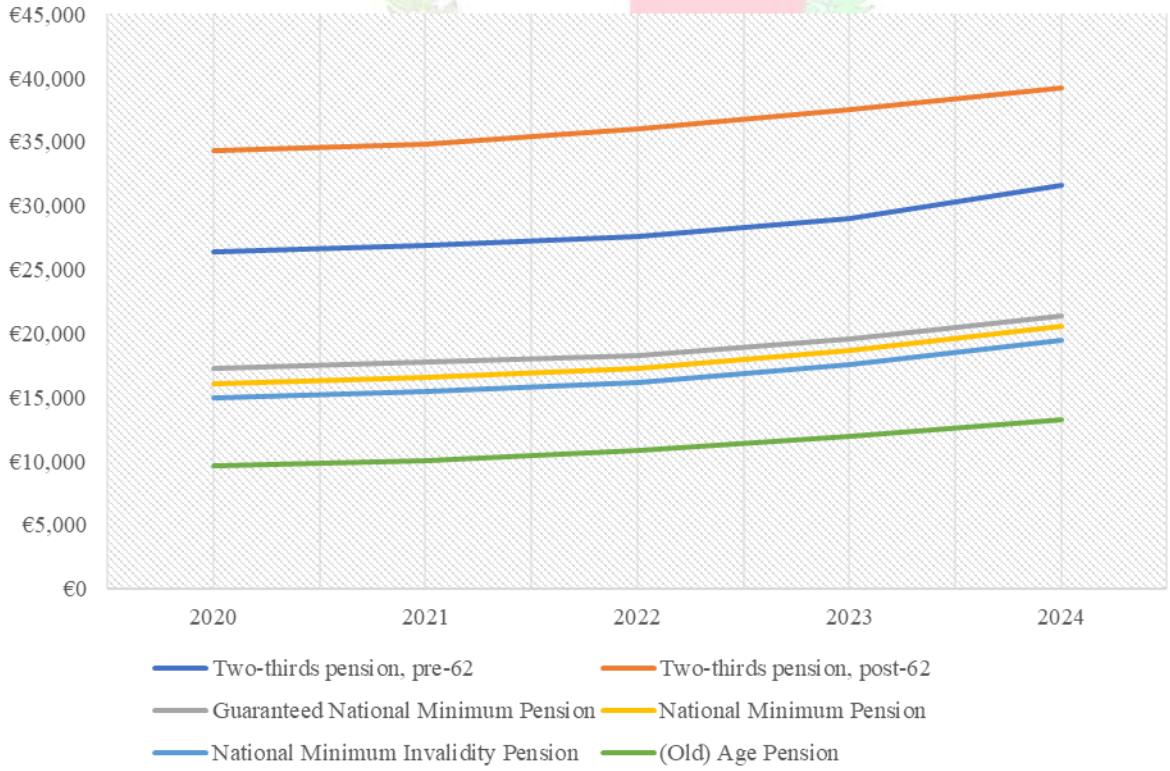

Figure 61: Dual-pension couple household income, by pension type.

Shifting towards the aim of the study, in line with a priori expectations, pension income adequacy levels vary widely between the three household structures and their respective pension types. Single pensioners receiving the maximum Two-Thirds Pension (pre-62 and post-62) enjoy relative financial stability, often exceeding 200-300% adequacy. Similarly, but to a lesser extent, individuals in receipt of the Guaranteed National Minimum Pension (GNMP) reached €11,394, reaching 100% of the average cost. However, those reliant on minimum pensions do not reach the higher standards of living, i.e. beyond the average basic CARITAS basket.

Focusing on 2024, TTP pre-62 and TTP post-62 incomes remain consistently above 100% for all household types, ensuring financial stability for those receiving these pensions. For single-pension couple households, GMP, NMP, and NMWP incomes manage to reach 100% adequacy in the CARITAS basic basket scenario, but they continue to fall short in the more demanding CARITAS all baskets and average-all basket comparisons. Similarly, for two-pension couple households, GMP, NMP, and NMWP incomes approach or exceed 100% in the CARITAS basic basket scenario but remain below adequacy in the 'CARITAS all baskets' and 'CARITAS average-all basket' benchmarks.

In sum, while two-pension couples enjoy the highest level of financial security, single pensioners remain the most vulnerable, as their lower-tier pensions fail to reach 100% adequacy in higher-standard scenarios. Figure 62 present the evolution of pension adequacy indicators from 2020 to 2024, for all types of pensioner households and receiving different main pension benefits.

Furthermore, as denoted by the previous analysis, the study highlights the primacy of looking beyond pension income, and to analyse all forms of benefit incomes being received by said pensioners. Prior to discussing the changes in pensioners' income shares between main pension and other non-pension income (contributory and non-contributory benefits), figure 63 presents the same adequacy metrics by type of pensioner household and various basket definitions (CARITAS-basic, CARITAS-all, and Average-All baskets), with the difference that only pension income is referred to.

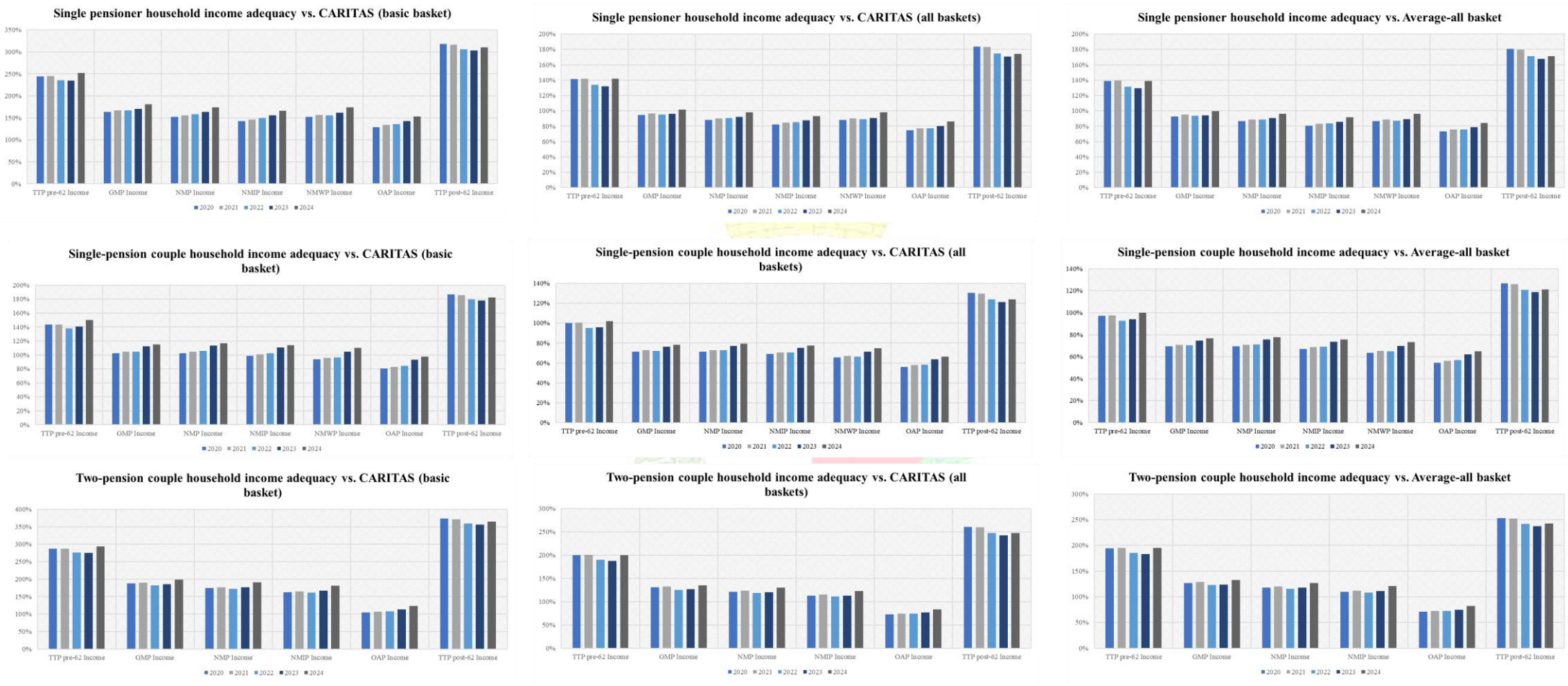

Figure 62: Adequacy metric by type of pensioner household and various basket definitions (CARITAS-basic, CARITAS-all, and Average-All baskets).

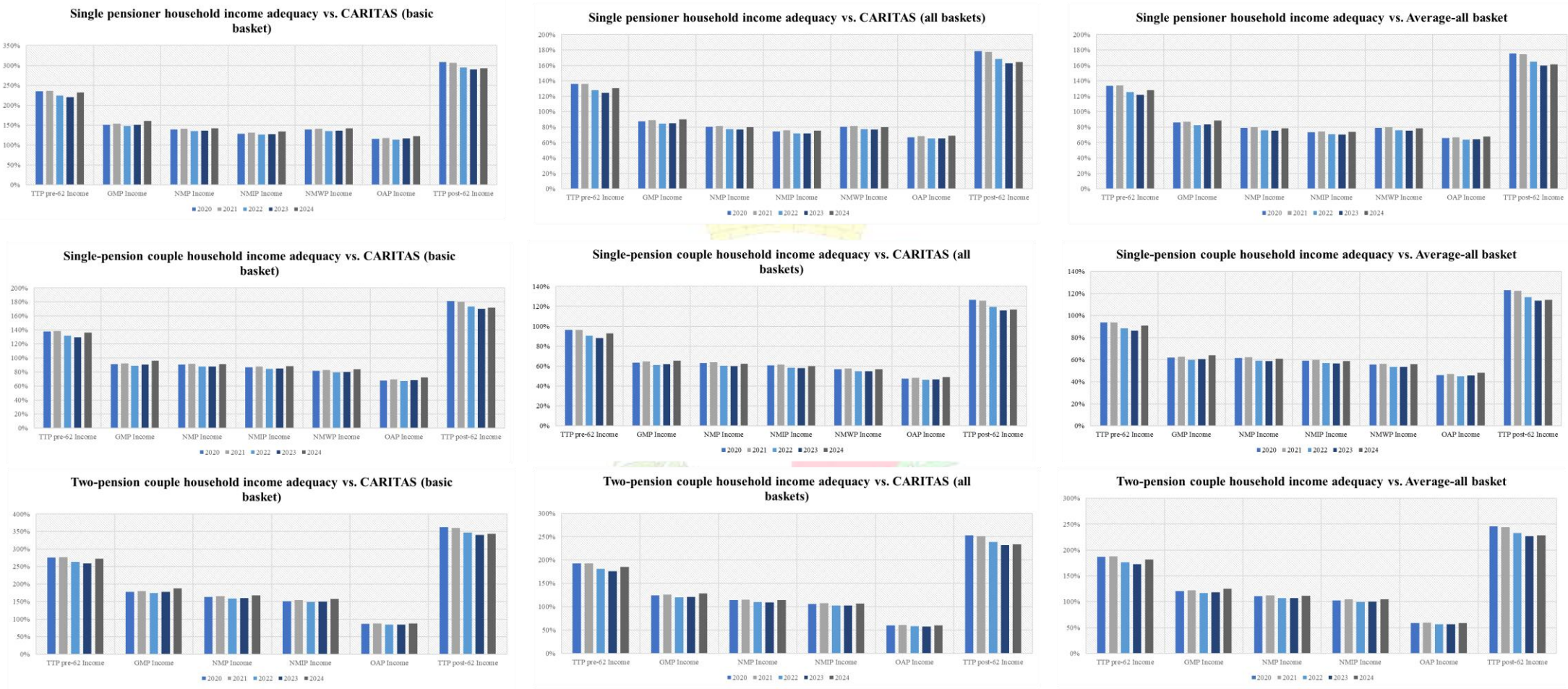

Figure 63: Adequacy metric by type of pensioner household and various basket definitions (CARITAS-basic, CARITAS-all, and Average-All baskets) – strictly pension income.

Tables 34-36 provide an analysis of pensioners' income composition from 2020 to 2024, focusing on different categories such as single pensioners, elderly couples with one pension, and elderly couples with two pensions. Across all categories, pension income remains the primary source of financial support (strictly limited to pensions and benefits received and excluding any other form of income received from own investments), with the proportion ranging mostly between 80% and 97%. However, over time, a gradual decline is evident in the reliance on pensions as the main source of income, with an increasing share coming from other financial sources.

For single pensioners, the proportion of income derived from pensions has steadily decreased. For instance, recipients under the TTP pre-62 scheme saw their dependence on pension income fall from 96% in 2020 to 89% in 2024, while those under GNMP experienced a decline from 93% to 89% over the same period. This trend is mirrored among elderly couples, where reliance on pensions is also decreasing. Correspondingly, other sources of income have become more significant across all pension types and household compositions. Single pensioners under the NMP scheme, for example, saw the share of other income increase from 9% in 2020 to 19% in 2024, while elderly couples relying on one pension under NMP recorded an increase in other income sources from 12% to 22%. The trend is most pronounced among OAP recipients, with single pensioners' reliance on other income growing from 10% to 20% and elderly couples with two pensions experiencing an increase from 17% to 29% in the same period.

Variations exist across pension types, with TTP recipients maintaining the highest reliance on pension income, remaining within the 88%–97% range across different years. In contrast, GNMP and NMP recipients appear to depend more on alternative income sources, indicating that state pensions alone may not be sufficient for these groups. The growing reliance on other financial sources, particularly among lower-tier pension recipients, suggests that pension income alone does not always provide adequate financial security. This highlights the need for policies that strengthen supplementary pension schemes and encourage voluntary retirement savings to ensure sustainable retirement incomes. Additionally, it raises questions about the nature of these supplementary incomes—whether derived from employment, savings, investments, or family support.

In sum, the study identified five key trends.

1. First, pension adequacy is highly dependent on the type of pension received, with Two-Thirds Pension recipients enjoying financial stability, while those on minimum pensions depending on benefits other than their pensions.

2. Second, the rising cost of living, particularly in healthcare and housing, is outpacing pension adjustments, leading to a gradual decline in pension adequacy for higher levels of standards.

3. Third, and in conjunction to the second remark, when accounting for all benefits received by said pensioners, every type of pensioner's income profile has outpaced the cost of living. Specifically;

    a. Utilising the average basic basket (Basic-CARITAS) metric, total old-age income has outpaced pensioner's cost of living by approximately 12.5%;

b. Utilising the average basic and augmented basket (All-CARITAS) metric, total old-age income has outpaced pensioner's cost of living by approximately 5.0%;

c. Utilising the average basic and augmented basket (Average-All) metric, total old-age income has outpaced pensioner's cost of living by approximately 5.3%;

4. Fourth, and most importantly, in 2024, the 100% threshold of adequacy for most pensioner households in reference to the average basic basket of goods as defined by CARITAS, is reached except for the single-pension-couple-household in receipt of the non-contributory old-age pension (reaching adequacy levels of 98%).

5. Lastly, these trends emphasize the continual need for supplementary income sources and policy interventions to address financial gaps for pensioners relying on lower-tier pensions.

Single pensioner	TTP, pre-62		GNMP		NM(R)P		NMIP		NMWP		OAP		TTP, post-62	
	Main	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*
2020	96%	4%	93%	7%	91%	9%	91%	9%	91%	9%	90%	10%	97%	3%
2021	96%	4%	92%	8%	90%	10%	89%	11%	90%	10%	88%	12%	97%	3%
2022	95%	5%	89%	11%	85%	15%	84%	16%	87%	13%	84%	16%	96%	4%
2023	94%	6%	88%	12%	83%	17%	82%	18%	85%	15%	81%	19%	95%	5%
2024	89%	11%	89%	11%	82%	18%	81%	19%	82%	18%	80%	20%	94%	6%

Single pension, two person household	TTP, pre-62		GNMP		NM(R)P		NMIP		NMWP		OAP		TTP, post-62	
	Main	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*
2020	96%	4%	89%	11%	88%	12%	88%	12%	91%	9%	84%	16%	97%	3%
2021	96%	4%	88%	12%	88%	12%	87%	13%	90%	10%	83%	17%	97%	3%
2022	95%	5%	85%	15%	83%	17%	82%	18%	87%	13%	79%	21%	96%	4%
2023	92%	8%	81%	19%	78%	22%	77%	23%	85%	15%	73%	27%	95%	5%
2024	88%	12%	83%	17%	78%	22%	78%	22%	82%	18%	74%	26%	94%	6%

Two pension, two person household	TTP, pre-62		GNMP		NM(R)P		NMIP		NMWP		OAP		TTP, post-62	
	Main	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*	*Main*	*Other*
2020	96%	4%	95%	5%	94%	6%	93%	7%	N.A.	N.A.	83%	17%	97%	3%
2021	96%	4%	95%	5%	94%	6%	93%	7%	N.A.	N.A.	82%	18%	97%	3%
2022	95%	5%	95%	5%	93%	7%	92%	8%	N.A.	N.A.	78%	22%	96%	4%
2023	94%	6%	96%	4%	91%	9%	90%	10%	N.A.	N.A.	75%	25%	95%	5%
2024	90%	10%	95%	5%	88%	12%	87%	13%	N.A.	N.A.	71%	29%	94%	6%

Table 34-36: Source of old-age income (main pension income vs. other benefit income) by main pension type and type of household.

To further substantiate and add context to the adequacy dimension, other internal studies report that when estimating the ratio of key expenditure to pension income across both survey waves (2017 and 2021), excluding households that are composed solely of individuals aged 65 and over and have no labour income) and disaggregating households by the same three main categories (single pensioners, couple pensioners with one pension income and couple pensioners with two pension incomes) - these subcategories cover close to three quarters of all item expenditures.

Figure 64: Share of households aged 65+ able to cover each expenditure item through pension income (HFCS 2021)

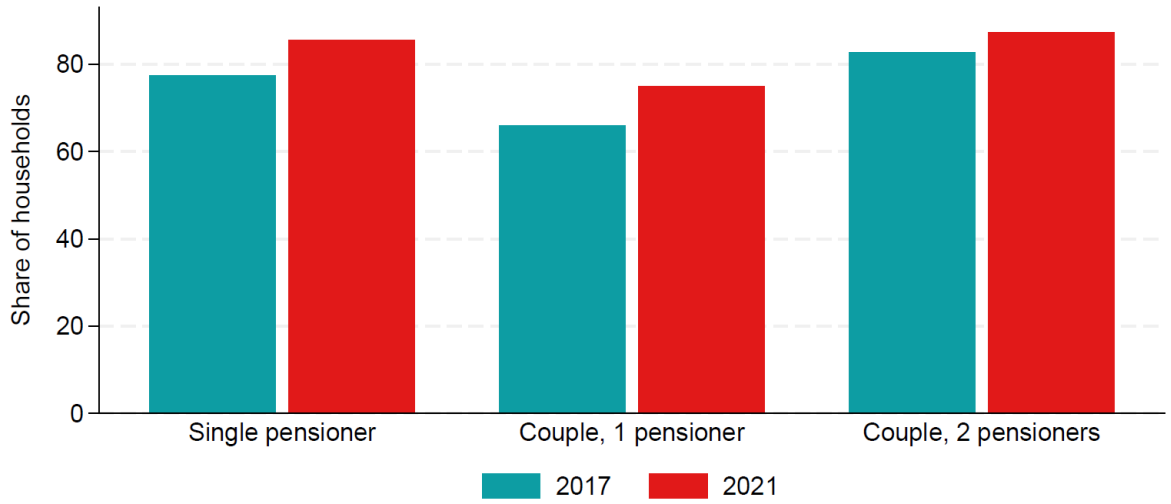

Figure 65: Share of households aged 65+ able to cover key expenditure through pension income in different subgroups (HFCS 2021).

In reference to figures 64 and 65, the following salient points can be deduced:

1. According to 2021 wave data, 79% of pensioner households can cover all key expenses with their pension income. Comparatively to the previous wave, this share is up from 69% in the preceding survey.

2. In all three subgroups of household compositions, the proportion of households in each subcategory whose pension income covers key expenditure improves between the two survey waves.
3. Couples with one source of pension income are naturally slightly less likely to adequately cover their needs through pension income only, yet more than seven out of ten such households still cover key expenditure through their pension income.
4. Furthermore, on aggregate, 84.1% of households in these three subcategories have a pension income that covers the expenditure items we consider in the 2021 wave, up from 76.4% in 2017. These proportions are higher than when considering all households with heads aged 65 and over, since the latter include households for which pension income is not the primary source.
5. Households in these sub-categories are also slightly higher than the share of households with sufficient pension income if we further restrict our subsample to households with no labour income, up to 2 old-age members, and only public pension entitlements. This covers key expenditure for 81.8% of households in 2021, 5.3 p.p. more than in 2017.

In sum, a consistent picture emerges that in both years, and across all subcategories, at least 70% of pensioners with no labour income are able to cover key expenditure through their pensions, with improvements in the ratio between the 2017 and 2021 waves. In the latter wave, only among pensioner households that pay rent does the ratio remain below 80%.

Lastly, the relationship between pension tax legislation and net benefit income earned is an important element in the context of inflationary shielding and retention of standards. The two reports by Vella Magro and Said (2024) and Sant (2024) examine the financial impact of pension-related reforms in Malta, specifically pension increases, tax exemptions, and tax rebates, using EUROMOD microsimulation modeling and EU-SILC data.

The first report, *"Distributional Impact Assessment of Two Pension Reforms: Increase in Pension Income and Taxation Exemption on Pension Income"*, evaluates two key pension-related reforms: increasing contributory and non-contributory pensions beyond the statutory Cost-of-Living Adjustment (COLA) from 2021 to 2024 and progressively exempting pension income from taxation between 2022 and 2027. The pension increase, which amounted to €11.29 per week over four years, boosted the average equivalized income by 0.55%, with the largest impact on lower-income deciles, particularly a 1.76% increase for the lowest-income decile.

The reform led to a significant reduction in poverty, decreasing the overall poverty rate by 0.77 percentage points, with the greatest impact on single adults over 65 without children (-6.25 percentage points) and two-adult households over 65 without children (-1.50 percentage points). Additionally, it reduced income inequality as reflected in a decrease in the Gini coefficient by 0.0026 percentage points. The tax exemption on pension income, which gradually increases from 20% in 2022 to 100% in 2027, led to a rise in disposable income by 0.11% at a 20% exemption and 0.40% at full exemption. However, it primarily benefitted higher-income pensioners, with the sixth decile experiencing the largest income boost of 0.25% at a 20% exemption. The fiscal cost of the exemption rose with its expansion, leading to a tax revenue reduction of 0.74% at a 20% exemption and 2.63% at full exemption. Unlike pension increases, the tax exemption led to a slight increase in income inequality, as higher-income

pensioners gained more from the reform, and its impact on poverty reduction was minimal, with the overall at-risk-of-poverty rate decreasing by only 0.02 percentage points.

The second report, *"Evaluating the Impact of Tax Rebates and Exemptions on the Financial Well-Being of Pensioners"*, focuses specifically on tax rebates and exemptions, assessing their role in improving pensioners' financial well-being. The tax rebate system ensures that pension increases are not taxed, benefiting pensioners whose income exceeds taxable thresholds. The rebate caps have progressively increased over the years, reaching €1,068 for single pensioners, €858 for parent-rate pensioners, €528 for married pensioners, and €540 for the additional married rebate in 2024. However, as pension tax exemptions increased, the number of pensioners benefiting from tax rebates decreased, with an 8.2 percentage point drop in rebate recipients at a 20% exemption and a 21.7 percentage point drop at a full exemption. The study found that tax rebates primarily benefit middle-income pensioners who exceed tax thresholds, while lower-income pensioners experience diminishing benefits as their taxable income approaches zero. Unlike the tax exemption, which largely benefits higher-income pensioners, tax rebates serve as a more targeted financial relief measure for middle-income pensioners.

Comparing the two papers, the first report provides a broader analysis by examining both pension increases and tax exemptions, whereas the second report focuses solely on tax rebates and exemptions. The first report highlights pension increases as an effective measure to reduce poverty and income inequality, while the second report emphasizes how tax relief mechanisms, particularly rebates, support middle-income pensioners. A key insight from both reports is that as tax exemptions increase, the effectiveness of tax rebates diminishes, shifting financial benefits toward higher-income pensioners. The combination of pension increases, tax exemptions, and rebates ensures pensioners receive greater disposable income, though lower-income pensioners gain the most from direct pension increases, while middle-to-higher-income pensioners benefit more from tax exemptions and rebates. Conjunctively, these findings suggest that pension increases are the most effective tool for reducing poverty and inequality, whereas tax exemptions and rebates primarily provide financial relief to middle-to-higher-income pensioners. The shift toward full tax exemption by 2027 may significantly alter the distribution of financial benefits among different income groups, with potential implications for long-term pension sustainability and equity.

Net position of the Pension System

Combining the revenue and expenditure-sides presents the net position and overall 'health' of the present system set-up. As presented in previous reports, the table below presents the state of account of the 'Social Security Contribution Fund' (SSCF) – that is, had the total contributory revenue been ring-fenced to meet the objectives of SS Contribution system only. In other words, this is a representation of a 'fictitious' fund given that, since the NI Contribution system was introduced in 1979, all incoming contributory revenue is placed in the Consolidated Fund as against a special ring-fenced 'Social Security Contribution Fund'.

The evolution of the 'National Insurance Contribution Fund' can be dissected and described by the several cyclical effects borne out from changes in the contribution base, pension indexation, maximum pension income thresholds and generational elements linked to the

demographic and labour market landscapes. Starting off, the fund's balance fell significantly between 2005 and 2010, dropping from a surplus of €78 million to a deficit of €8 million. The exhibited drastic drop sources from the generational effect whereby 'baby boomers' (individuals born between 1946 to 1964) started to retire.

During the period between 2011 to 2013, the surplus balance of the 'Fund' had grown due to reforms implemented in 2007 aimed at boosting the MPI for both the Transitional[42] and Switchers[43] Groups. Specifically for the Switchers Group, the MPI experienced a gradual increase from €17,475 in 2010 to €20,940 by 2013, with three equal increments. Starting from 2014, the MPI for this group saw yearly increments based on a '70% Wages, 30% Inflation' indexation. Between 2013 and 2014, the MPI rose from €20,940 to €21,412, marking a €472 increase or 2.3% from 2013. As a result of these policies, the declining surplus in the theoretical fund was reversed in 2015, primarily due to additional revenue generated by the incrementally increased MPI for individuals born in 1962 and later, starting from 2011. Going forward, the trend of increasingly stronger fiscal balances in the notional fund continued to extend, with latest figures registering a current balance surplus of €376.2 million in 2023.

Furthermore, the growing presence of Maltese individuals in the workforce, including increased female participation, greater involvement of those aged 65 and over, and heightened engagement of individuals aged between 61 and 63, along with increased contributions from those born in 1952 and earlier, as well as the substantial employment of EU and TCN citizens in Malta, contribute to a steadily rising surplus in a theoretical Social Security Contribution Fund.

However, as mentioned in previous Strategy reports, the surplus in the theoretical Social Security Contribution Fund must be juxtaposed with future liabilities, including pensions for future retirees entitled to higher MPIs and contributions from EU and EEA citizens. Additionally, there is the potential obligation to provide pensions to a smaller number of TCN citizens who meet the eligibility criteria for either partial or full Maltese pension.

Focusing on the future liabilities, future-proofing the system requires assessing the present accrued-to-date pension entitlements (ADLs). ADLs depict the present worth of pensions earmarked for future disbursement, reflecting the accrued rights of each contributor over their career. Essentially, they illustrate the potential expense of resolving outstanding pension commitments if the scheme were hypothetically shut down. These rights offer dual viewpoints: (i) representing households' entitlements akin to (ii) the government's corresponding liabilities.[44]

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[42] The 'Transitional' group refers to individuals born between 1952 and 1961, which are persons placed on a transitional mix of new reforms and outgoing parameters of the then existing pension system – with the bias of the transitional process edging towards the new reforms if the person's age is closer to the 45 years of age set for the switchers' group. Persons in the Transitional Group were identified to be between 54 years of age and 46 years of age as of 1st January 2007.

[43] The 'Switchers' group refers to individuals born on or after 1962, which are Persons placed on the new pension system. These were identified to be persons who would be 45 years of age or younger as of 1st January 2007.

[44] The present value of future pension rights is determined by applying a real discount rate of 2 per cent to the model, or a nominal rate of 4 per cent with the inflation target being 2 per cent in line with both the European Central Bank's (ECB) target over the medium term and the Ageing Working Group's (AWG) long-term price inflation assumptions. This represents one of a set of standard assumptions established in the Eurostat/ECB

Applying a real discount rate of 2 per cent, by the end of 2021, the collective pension entitlements reached €37.5 billion, constituting 244.4 percent of the national GDP. The majority of these entitlements, €34.7 billion or 92.6 percent of the total, stem from Social Security pensions, while the remaining 7.4 percent pertain to Service Pensions. Comparing the figures to those of 2012, pension entitlements increased by €18.4 billion, or an increase of 96%; with social security pensions accounting for majority (€18 million, or 97.8% of the total) of the increase (refer to table 38).

Technical Compilation Guide for Pension Data in National Accounts and which all countries, bar different inflation targets set by Poland, Romania (both 2.5 per cent) and Hungary (3 per cent), applied in their calculations to ensure comparable results.

Furthermore, the Projected Benefit Obligation (PBO) approach, taking into consideration future wage increases when applying wage indexation rules to pension payment increases, is the selected estimation technique. Other standard assumptions include the use of: (i) the latest (2023) EUROPOP life expectancy assumptions categorised by gender and (ii) the labour productivity growth forecasts from the 2024 AWG assumptions to project future wage growth.

State of Account of a Notional Social Security Contributions Fund		2005	2010	2015	2016	2017	2018	2019	2020	2021	2022	2023
Type of contributions	**TOTAL**	**455,594,819**	**552,076,449**	**739,583,039**	**804,388,726**	**868,681,634**	**967,831,220**	**1,046,139,701**	**1,063,422,059**	**1,206,362,367**	**1,250,883,650**	**1,412,325,895**
	Class I Contributions in respect of Private industry	202,340,049	251,775,094	489,675,187	535,616,403	585,994,660	471,296,120	513,938,147	519,484,003	619,666,909	671,719,201	719,380,612
	Class I Contributions in respect of government employees	70,226,534	80,688,662	-	-	-	126,884,734	123,926,434	128,505,796	140,685,439	139,202,255	151,696,007
	Class II Contributions by Self-Employed persons	30,954,563	35,344,696	-	-	-	48,757,716	51,082,467	58,571,011	53,525,912	6,140,148	64,483,893
	Additional Contributions	313,100	363,771	5,070,259	2,180,561	1,978,974	1,892,651	2,192,654	2,817,551	3,599,444	4,822,046	3,765,563
	Direct contribution SSA 1987	151,760,573	183,904,226	244,837,593	266,591,762	280,708,000	318,999,999	354,999,999	354,043,698	388,884,663	429,000,000	472,999,820
Contributory Benefits	**TOTAL**	**376,875,623**	**560,019,750**	**665,672,664**	**709,421,543**	**746,982,689**	**776,296,034**	**808,214,534**	**861,752,180**	**902,009,226**	**963,160,034**	**1,036,159,728**
	Invalidity	37,458,439	29,454,667	24,331,923	24,869,631	22,010,302	21,715,668	20,957,219	19,697,952	19,642,917	18,512,151	18,761,192
	Retirement	220,987,841	369,891,530	444,805,598	479,228,190	508,938,015	531,145,244	558,608,111	598,230,627	634,185,406	677,807,835	722,409,721
	Bonus	27,058,616	46,839,614	66,195,240	69,068,249	71,782,342	74,060,985	76,683,118	82,195,433	85,274,008	92,730,283	109,006,915
	Widows	82,272,220	102,482,602	118,917,739	125,251,566	133,805,745	139,677,520	142,137,892	148,784,070	152,990,425	163,953,503	176,015,215
	Short Term*	9,098,507	11,351,337	11,422,164	11,003,907	10,446,285	9,696,617	9,828,194	12,844,098	9,916,470	10,156,262	9,966,685
Current Balance		**78,719,196**	**- 7,943,301**	**73,910,375**	**94,967,183**	**121,698,945**	**191,535,186**	**237,925,167**	**201,669,879**	**304,353,141**	**287,723,616**	**376,166,167**

*Short term benefits refer to the maternity benefit, sickness benefit and benefits in respect of unemployment

Table 37: State of Account of a Notional Social Security Contributions Fund.

Pension Entitlements: 2012, 2015, 2018 & 2021					
	Description	**2012**	**2015**	**2018**	**2021**
		€ million			
	Opening Balance Sheet				
1	**Pension entitlements**	16,636	21,898	34,292	39,805
	Changes in pension entitlements due to transactions				
2	**Increase in pension entitlements due to social contributions =(2.1+…+2.4-2.5)**	1,531	1,694	2,109	2,307
2.1	Employer actual social contributions	190	234	306	387.5387
2.2	Employer imputed social contributions	284	95	77	-111
2.3	Household actual social contributions	225	270	354	438
2.4	Household social contribution supplements	832	1095	1372	1592
2.5	Less pension scheme changes	0	0	0	0
3	Other (actuarial) increase of pension entitlements	-79	1152	577	-2154
4	Reduction in pension entitlements due to payment of social benefits	676	747	870	1002
5	**Change in pension entitlements due to social contributions and pension benefits (=2+3-4)**	776	2099	1816	-849
6	Transfers of entitlements between schemes	0	0	0	0
7	Change in pension entitlements due to other transactions	0	0	0	0
	Change in pension entitlements due to other economic flows				
8	Changes in entitlements due to revaluations	-	-	-	-
9	Changes in entitlements due to other changes in	1676	-1683	267	-1497
	Closing Balance Sheet				
10	**Pension entitlements (=1+5+6+7+8+9)**	19,088	22,314	36,375	37,459
	As a percentage of GDP	259.0	223.0	290.8	244.4

Table 38: Pension entitlements for the years 2012, 2015, 2017, and 2021[45]

Pension Entitlements: Definitions		
	Description	**Definitions**
	Opening Balance Sheet	
1	**Pension entitlements**	The opening stock of pension entitlements (equal to the closing stock of the previous year).
2	**Increase in pension entitlements due to social contributions =(2.1+…+2.4-2.5)**	
2.1	Employer actual social contributions	Actual social contributions made by employers during the reference year.
2.2	Employer imputed social contributions	Balancing item for defined benefit pension schemes, recording any changes in entitlements not included in any other rows.
2.3	Household actual social contributions	Actual social contributions made by employees during the reference year.
2.4	Household social contribution supplements	Relates to the property income earned or imputed on the schemes. This is equivalent to the unwinding of the discount rate, equal to the nominal discount rate for the base year multiplied with the pension entitlements recorded at the beginning of the year.
2.5	Less pension scheme changes	
3	Other (actuarial) increase of pension entitlements	The imputed transactions of social security pension schemes. This row is used as a balancing item for social security pension schemes. Therefore, figures may be either positive or negative, with a positive value implying that the discount rate is lower than the scheme's annual rate of return.
4	Reduction in pension entitlements due to payment of social benefits	Pension payments made during the year.
5	**Change in pension entitlements due to social contributions and pension benefits (=2+3-4)**	Changes in pension entitlements due to contributions and pension benefits.
6	Transfers of entitlements between schemes	Amount of entitlements transacted from one pension fund to another.
7	Change in pension entitlements due to other	Changes in entitlements due to any pension reforms introduced during the year.
	Change in pension entitlements due to other economic flows	
8	Changes in entitlements due to revaluations	Changes in entitlements due to changes made to the key model assumptions, such as the discount rate, wage rate and inflation rate.
9	Changes in entitlements due to other changes in	Other changes to the volume of assets that are not classified under item 8.
	Closing Balance Sheet	
10	**Pension entitlements (=1+5+6+7+8+9)**	Total pension entitlements recorded at the end of the year.
	As a percentage of GDP	Pension entitlements figures are presented as a percentage of gross domestic product.

[45] 2024 pension entitlements to be published in 2027, as 2021 figures were published as of 16th February 2024.

Identified policy areas of interest and caveats in the current pension system

While the recent pension reforms in Malta, including pension increases, tax exemptions, and rebates, have contributed to improving the financial well-being of pensioners, several policy caveats must be considered. This section highlights some of these potential inefficiencies, unintended distributional effects, and long-term sustainability concerns that could impact the effectiveness of the system. Addressing these caveats is crucial to ensuring that pension policies remain equitable, fiscally responsible, and capable of meeting the evolving needs of an aging population.

The evolution of contributors and migration dependencies

Contributions from those paying the maximum rate have grown from 30.2% in 2008 to 43.3% in 2023, with contributors in this category increasing from 21% to 29% over the same period. What is interesting to note is that the ratio of the average insurable salary to the maximum pensionable income (post-62) is showing an upward trend, starting at 69.9% in 2008 and fluctuating, reaching 76.5% in 2023, indicating an improvement in coverage alignment in recent years.

From the revenue-side, aside from the argument of closing the real gap between basic and total wages (which will be discussed further on), the observed trend is positive. However, from the expenditure-side, as contributions and contributors from maximum rate payers grow, the average rate of future pension liabilities increases as well. Considering this, the potential policy caveats of increasing contribution revenue are fundamentally two.

Primarily, the element of timing between the peaks of maximum contributors in the short-term and the maximum-pension beneficiaries in the future may not coincide with each other. In a pure PAYG system, the fundamental indicator of sustainability is the dependency ratio or more specifically, the system dependency ratio. This measures the relationship between the number of contributors (working population paying into the system) and the number of beneficiaries (retirees receiving pensions). Simply put, current contributions directly fund current pensions.

In the case of Malta, given that contributions are not ring-fenced to strictly service contributory benefit expenditure, and form part of the government's consolidated fiscal fund, the revenue-side of contributory pensions is utilised across the board. On the one hand, one may argue that the fiscal adequacy of the system is more resilient to the demographic and economic elements directly and indirectly impacting the annual flow of contributions. On the other hand, given the contributions' fungibility, the usage of said contributions is not directly interlinked with the public pension system's financing pillar; or rather, the primary function of the contributions collected is not being adhered to.

As outlined in the previous section, comparing and contrasting the annual flows of revenue and expenditure allows for the assessment of the system's internal sustainability and its intrinsic resilience to shocks. Focusing on the 2005-2023 period, the evolution of the annual net balance has experienced a reversal in trend. To provide further specification, figure 66 outlines the

evolution of the annual net balance, illustrating an initial decrease from €78.7 million in 2005 to a deficit of €7.9 million in 2010, after which an all-time surplus of €376.1 million was registered by the end of the period under question.

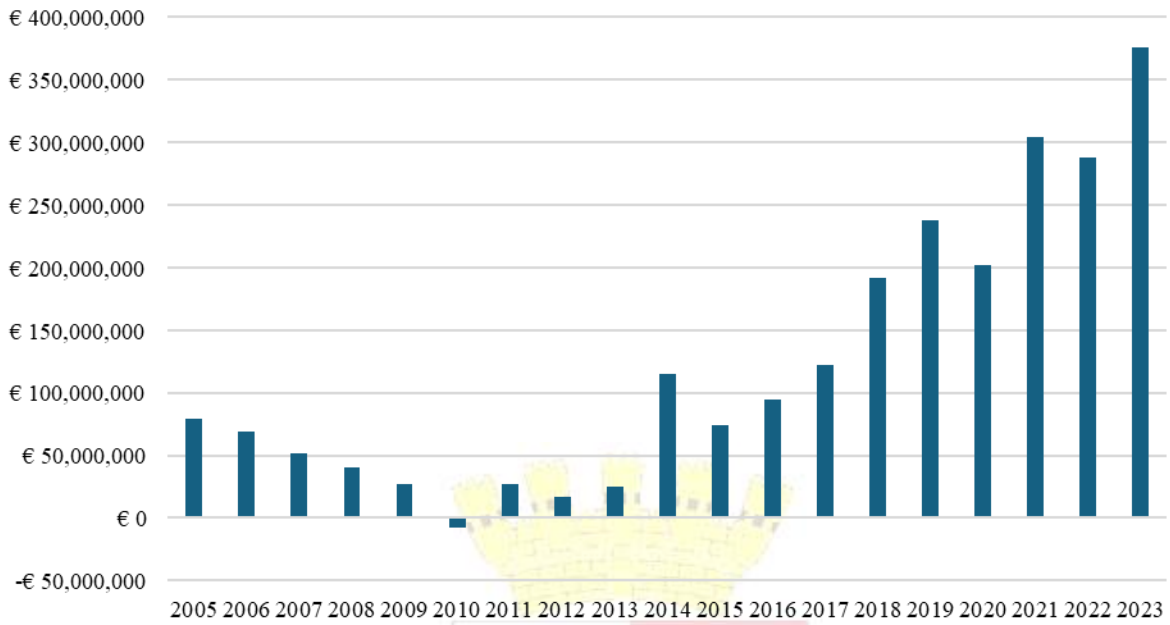


Figure 66: Evolution of the net annual balance if the contributory system is ring-fenced, 2005-2023

Assessing the net positive trend in the relationship between contributions and expenditure provides an indication at which stage of the life cycle the public pension system is. Specifically, despite the fact that the scheme is only approximately 50 years old, its features -- a very strong contributor base with rising life expectancy and other demographic pressures --are making the system shift rapidly towards the maturer stage of any pension life cycle. For ease of reference, the 'mature' stage is characterised by a drop from the peak in contributors/contributions and a trend whereby the rate of growth in new beneficiaries starts outpacing the new contributors.

Secondly, future workers which will be required to 'replace' the high-paying contributors today and high paid pensioners tomorrow, may not be present. Specifically, this can be understood through a comparison of the current versus future average contributors. As previously mentioned, the number of Maltese contributors has only increased by 25,650 individuals, with almost the full majority stemming from individuals reporting the highest maximum ('D' class/category). On the other hand, non-Maltese contributors have increased by 105,932 individuals, with most individuals paying the 10% rate.

Furthermore, in reference to the average contribution per taxpayer metric by nationality, the gap of €637 reported in 2008 has continually increased and doubled (€1,223) by the end of the assessed period. Such can be due to either comparatively lower basic wages, lower contribution densities or a combination of both. In terms of the former, comparing the average basic wages of Maltese and non-Maltese nationals, Maltese workers consistently earn higher total and average basic wages compared to non-Maltese workers.

Over time, total basic wages for both groups show steady growth, reflecting an expanding economy with increasing employment and rising wages. However, the average wage gap between Maltese and non-Maltese workers fluctuate, narrowing in some years (e.g., 2014–

2015 and 2017) but widening significantly in recent years, reaching €6,604 in 2023. While both groups experience annual wage increases, the growth rate for Maltese workers outpaces that of non-Maltese, contributing to a widening disparity in average wages. Even though these trends point to an overall improvement in wages across the board, they also raise questions in terms of average contribution projections.

Further exacerbating the identified lacking interchangeability between the present and the expected contributor, is the comparatively lower contribution densities of non-Maltese nationals, whereby the average Maltese national contributes for 37.3 weeks, whilst the average non-Maltese national contributes for 22.7 weeks. For ease of reference, contribution density (in social security) refers to the proportion of time a worker actively contributes to a social security system relative to the total possible working period. This element will be further explained in a subsection below.

In sum, the trade-off between, and timing of, short-run revenue gains and long-term liabilities requires careful evaluation and has significant fiscal ramifications if not addressed; even more so if policymakers do not take advantage of current net positive contribution returns.

Assessing the informality in formality and impact of a non-basic wages on contribution revenue and pension reference salaries

Current Maltese legislation dictates that social security contributions, or national insurance, are based on an employee's gross wage or salary, or a self-employed person's profits. In other words, the social contribution rate is linked to the individual's basic weekly wage, which does not include allowances, bonuses, and/or overtime earned.

Even though the non-basic wage element has remained relatively stable at approximately one-fifth of total wages (slightly increasing to 22.4% in 2022) the average value of non-basic wage and the relative ratio between non-basic and basic wages have both increased. The latter trends point to a labour market where supplementary earnings (i.e., non-basic wages including bonuses and overtime) are becoming more prominent, reflecting shifts in compensation strategies.

The questions for policymakers here are two – what are the direct implications of a rising element of non-basic wage on the first pillar pension and what is the real trade-off from doing so?

In terms of the former, the most immediate and direct impact relates to the flow of contribution revenue. As assessed in the sub-section titled "Social Security Base Erosion", the first type of social security base erosion refers to the summation of the individual-based differences between the summation of basic and non-basic wages and the maximum pensionable income (post-1962) for the year. For ease of reference, if an employee has a basic wage of €10,000, a non-basic wage of €5,000 and the applicable maximum pensionable income is equal to €22,138 (2016 figure), the entire €5,000 are assumed as loss of social security base. If, on the other hand the individual had a non-basic wage of €15,000, the difference between the MPI and the basic wage is assumed as the loss of social security base.

Quantitatively, applying a flat 10% rate on the aggregate amount of these applicable non-basic wages, for the period between 2008 and the 2023, the government could have collected an additional €585 million; or an additional average annual employee contribution boost of 6.7%. For the sake of accuracy, should the applicable maximum pensionable income be linked to the date of birth of the individual, the total social security base erosion would be equal to €5.6 billion, 10% of which would be equal to €559 million, representing an additional average annual employee contribution boost of 6.4%. Furthermore, when assessing both metrics, it is important to note that the full or even partial shifting of non-basic wages to basic wages can have sensitively important implications for specific companies.

Shifting towards the second question, prior to discussing the trade-off between paid contributions now and pension benefits, one should assess why this question arises at all. Following the reform in 1978, the pension formula for the two-thirds pension includes three elements: the contribution average, the pensionable income and if applicable, the service pension. Maltese regulation pertaining to the calculation of pensionable income, for all the different variations based on the individual's year of birth, dictates that pension income is strictly based on a specific number of years within a period of time. In reference to Table 41, one can note a higher degree of flexibility for individuals born on or after 1962, with the pension calculation being based on 10 years as opposed to three years, the removal of the 'consecutive' element and potential reference years taken from the entire 'career' length.

DOB	**Employed**	**Self-employed/Self-occupied**
Between 1952 and 1955	Best three (3) consecutive years in the last eleven (11) years.	Best ten (10) consecutive calendar years in the last eleven (11) years.
Between 1956 and 1958	Best three (3) consecutive years in the last twelve (12) years.	Best ten (10) consecutive calendar years in the last twelve (12) years.
Between 1959 and 1961	Best three (3) consecutive years in the last thirteen (13) years.	Best ten (10) consecutive calendar years in the last thirteen (13) years.
Between 1962 and 1968	Best ten (10) calendar years out of the full forty (40) years.	
Between 1969 and 1975	Best ten (10) calendar years out of the full forty-one (41) years.	
On or after 1st January 1976	Best ten (10) calendar years out of the full forty-years (42) years.	

Table 41: Pension calculation by type of employment status and date of birth.

Although the pension income formula includes a contribution average element spanning beyond the years used to calculate the pensionable income, the average is based on the number of weeks paid and not the amount paid. Thus, individuals can decide to under-report their income during the years which will not be utilised for said pensionable income calculation. In other words, current legislation allows for scenarios whereby individuals which pay different aggregate amounts of contributions have the same pension level. Let us posit the case example of two individuals whereby individual A has always paid the highest maximum throughout their entire career whilst individual B has only paid the highest maximum rate SSC rate for the last ten years. In this scenario, under the assumption of both having full contributory records, both individuals will earn the same pension amount. In sum, the link between contributions paid and benefits earned, represented by an individually derived internal rate of return, varies from one individual to another.

Putting to the side the consideration of an individual's changing ability and prioritisation of paying the highest maximum rate for a higher pension tomorrow, the method of pension income calculation has elements of both intergenerational and intragenerational inequity. What's more, the argument doesn't necessarily have to be tied to the comparison of individuals earning the maximum benefit, but for all levels of pension income. In a similar fashion, if an individual pays €1,200 amount over 30 weeks and another individual pays the same amount but over all 52 weeks, the first individual will be penalized due to the former individual having a lower contribution density.

However, operating under the assumption that employees/employers are not willingly under-reporting their income, one would expect that the relative share of non-basic wages in total wages increases with age and decreases as the individuals approach their retirement age (to maximise their respective pension incomes). However especially for individuals born on or after 1962 (i.e. which are most of the contributors), the removal of the policy that the chosen years need to be in consecutive order makes it difficult to properly test this assumption. Furthermore, given the *a priori* assumption that individual wages increase with age, the total value of non-basic wages is also expected to increase with age; hence, providing the single-age average value of changes in non-basic wages will most likely result in a spuriously defined relationship between the two variables.

In conjunction to these arguments, the decision of having a relativity higher non-basic wage component in an employee's compensation package is more dependent on the employer's wage expenditure strategy. Thus, to assess the prevalence of non-basic wages in wage contracts, a company-by-company evaluation would be required.

In reference to Figure 67, the heatmap illustrates the distribution trends of companies based on their non-basic wage components. A significant observation is the dominance of the 5% non-basic wage category, which has shown a notable increase over the years, particularly after 2015. This trend suggests that an increasing number of companies are allocating only a small portion of their total wages to non-basic components.

Moderate growth is evident in the 10% to 20% categories, indicating a steady but less pronounced shift toward slightly higher non-basic wage allocations. In contrast, companies allocating more than 50% of their wages to non-basic components remain minimal, as reflected by the lighter shading in those categories. The crux of the assessment outlines that approximately 90% of companies consistently fall in or below the 25%-30% non-basic wage category. Furthermore, approximately 48.2% of companies have reported total non-basic wages at higher than 25% of their total wages for at least once in the assessed duration; and for an average number of 2.4 years (considering only assumed years of operation).

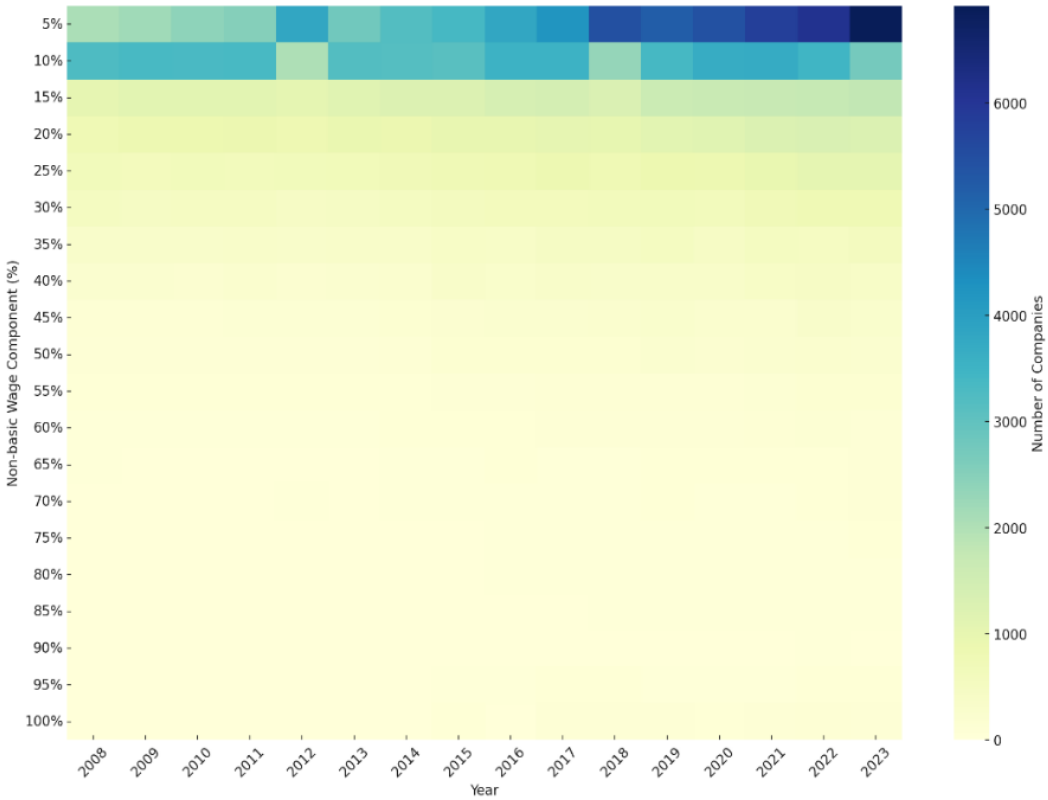


Figure 67: Company heatmap of non-basic wage component in total wages.

Branching off from the direct implications of non-basic wages on contribution revenue, other macro and micro-economic effects on the pension system relate to aggregate future beneficiary expenditure and individual pension levels, respectively. Specifically, individuals reporting higher non-basic wages (whereby their basic wage is lower than the maximum pensionable income for the year) during the years which have the highest basic wages, will have lower future pensions.

The primacy of understanding the implication of non-basic wages on individual pensionable incomes and pension levels arises from a separate evaluation which sought to quantify the gap between an individual's basic wage and applicable maximum pensionable income (Pre vs. Post 1962 limit). Going one step backwards, as the pensionable income is determined strictly by the reported basic wage in the chosen years for assessment and the assessed period of time (2008-2023), the exercise conducted does not accurately capture the real impact of pension levels but provides a metric of the potential loss in pension levels.

Going forward, in reference to Figure 68, the average ratio of basic wage to MPI gap began at 37.8% in 2008, gradually increased to a peak of 40.8% in 2015, and slightly declined to 38.8% in 2023. This trend indicates that basic wages have consistently fallen short of the MPI, with only marginal improvements in recent years. In the same breath, an extension of this exercise is conducted to test the potential impact of the non-basic wage element on individuals 'reference salaries. Specifically, when non-basic wages are included, the 'Basic Wage and Non-Basic Wage to MPI' gap narrows slightly, starting at 29.2% in 2008, peaking at 32.8% in 2015, and decreasing to 30.5% in 2023.

Thus, the difference between the aforementioned average gaps has remained relatively stable throughout the period, fluctuating between 7.0% and 8.6%. The highest change occurred in

2008 (8.6%), while the lowest was recorded in 2020 (7.0%), suggesting a lack of substantial progress in reducing wage gaps over time.

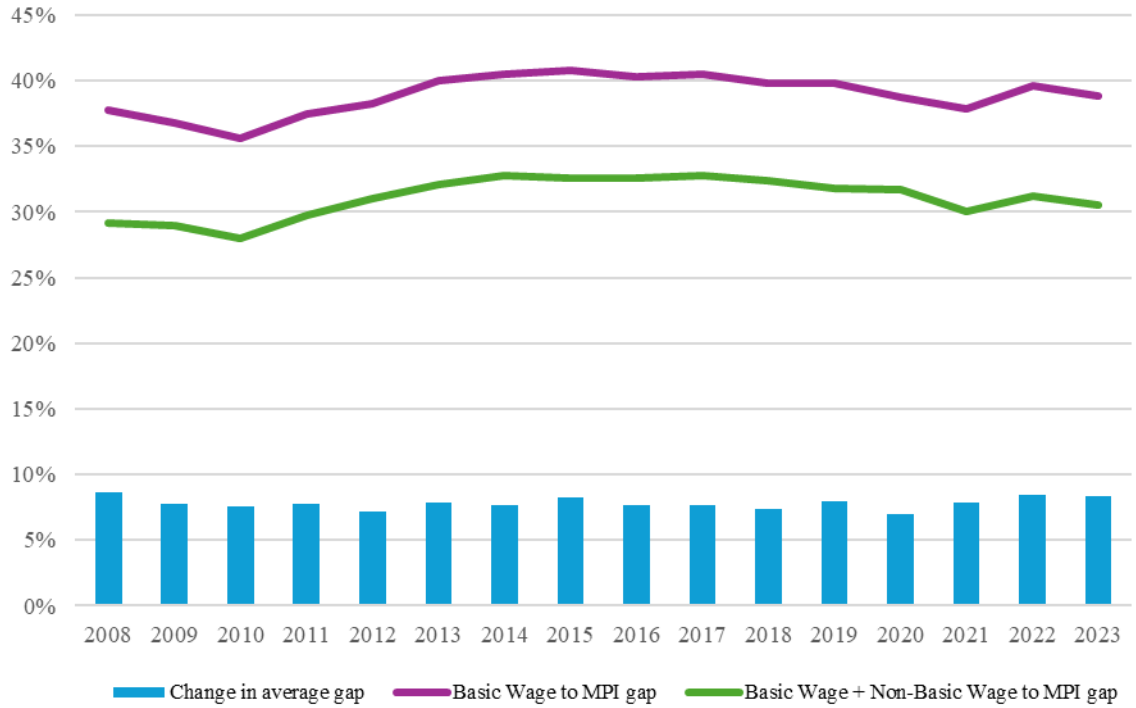


Figure 68: Relativity of basic wages and total wages to the applicable maximum pensionable income.

Overall, as the ratio is capped at 100% for basic value figures which exceed the individual's applicable maximum pensionable income (pre- or post-62) within the year under question, the evolution of the ratios suggests that total wages have struggled to keep pace with the MPI.

Despite slight improvements after 2015, the persistent wage gaps indicate the need for more comprehensive wage growth strategies to effectively bridge the divide and ensure wages are more aligned with minimum pension standards. Furthermore, focusing on the impact of the presence of non-basic wages, the average reference salary can effectively increase by 7.8%, and hence ultimately increase gross and net pension replacement rates.

Quality and not quantity for contributor, employer and government alike

The evolution of the contributors must be investigated not only on the basis of the social security rates which they pay, but also the frequency of their payments; or put differently, individual contribution densities. In conjunction to the previously provided definition, contribution densities are critical indicators of the adequacy and sustainability of social security systems, especially in pension schemes, as they directly affect future pension entitlements and the financial health of the system. Quantitatively, the indicator is derived by the following equation:

$$Contribution\ density = \frac{Number\ of\ weeks\ with\ contributions}{Total\ Possible\ weeks\ in\ working\ life} \times 100$$

Thus, a higher contribution density means that a worker has consistently contributed throughout his working life. Alternatively, a lower contribution density indicates irregular or intermittent contributions, often due to informal employment, unemployment, or career interruptions. Several factors influence contribution density in social security systems, shaping both individual retirement outcomes and the overall sustainability of the system. One major factor is labour market dynamics. High levels of informal employment significantly reduce contribution density because informal workers often do not participate in social security programmes. Additionally, precarious jobs and high unemployment rates contribute to fragmented contribution histories, limiting continuous engagement with the system.

The type of employment also plays a critical role. Self-employed individuals and workers in non-standard forms of employment—such as gig economy participants and contract workers—tend to have lower contribution densities. This is largely due to weaker enforcement of mandatory contributions and the irregular nature of their work. Gender disparities further impact contribution density, as women often face career interruptions for caregiving responsibilities, are more likely to engage in part-time work, and are overrepresented in informal employment sectors. These factors collectively lead to lower and less consistent contributions among women.

Economic cycles also affect contribution density. During economic recessions, rising unemployment and underemployment can lead to prolonged periods without contributions, weakening both individual savings and the broader social security system. Furthermore, the policy and legal frameworks governing social security systems significantly influence participation rates. Systems that rely on voluntary contributions often experience lower participation, while mandatory schemes tend to have higher compliance. Additionally, minimum wage policies and contribution thresholds directly impact how much and how frequently individuals contribute to social security.

Shifting towards the applied methodology, the contribution densities were derived using a three-stage process. Primarily, the initial and end dates of when the individual started and finished contributing were identified. With this approach, individuals which either have entered the labour market (or started paying contributions) in any year after 2008 or have retired in any year of the assessed period of time, the contributory period is individually adjusted to reflect the real applicable period. Therefore, if an individual is first observed to contribute in 2009 and the last year of contribution was in 2018, only the gap between the years is determined as the contributory period (i.e., 10 years).

The second stage of the process is the simple summation of all weeks of contributions. Extending on our previous example, if the individual has a total number of 370 paid weeks out of the possible 520 weeks, the contribution density of the individual is assumed as 71%, or an annual contribution density of approximately 37 weeks. Furthermore, given gender, nationality and generational differences, the statistic is replicated for males and females, Maltese and non-Maltese nationals, and by single-age bracket (from 18 to 65 years of age). Lastly, the contribution densities are disaggregated and individually assessed by class (class 1 or class 2).

Prior to discussing the results, one should additionally take note that as the data only provides partial visibility of individuals' contributory records, the interpretation of the statistic does not relate to pension benefits, but strictly to the element of contribution revenue. However, by multiplying the individual contribution density by the non-individualised period of assessment,

the contribution density relevant for pension expenditure can be derived. Starting off with the former, the following salient results can be noted:

i. The average annual contribution density of a male Maltese national is of 38.6 weeks, whereby the average period of assessment is 12.3 years;

ii. The average annual contribution density of a female Maltese national is of 35.8 weeks, whereby the average period of assessment is 11.9 years;

iii. The average annual contribution density of a male TCN is of 28 weeks, whereby the average period of assessment is 3.6 years;

iv. The average annual contribution density of a female TCN is of 29.9 weeks, whereby the average period of assessment is 4.1 years;

v. The average annual contribution density of a male other national is of 19.1 weeks, whereby the average period of assessment is 7.0 years;

vi. The average annual contribution density of a female TCN is of 19.2 weeks, whereby the average period of assessment is 6.9 years;

On the other hand, when multiplying the contribution density by the total period of assessment (i.e. 16 years), the abovementioned results shift as follows:

i. The average annual contribution density of a male Maltese national is of 29.9 weeks.

ii. The average annual contribution density of a female Maltese national is of 27.6 weeks;

iii. The average annual contribution density of a male TCN is of 6.6 weeks;

iv. The average annual contribution density of a female TCN is of 7.8 weeks;

v. The average annual contribution density of a male other national is of 7.8 weeks;

vi. The average annual contribution density of a female non-Maltese national is of 7.5 weeks;

Finally, the process is repeated with class 2 paid contributions and added to the individual's annual social security contributions. Hence, the individually derived contribution periods of assessment are re-adjusted to reflect new starting and end points of an individual's contribution history. Specifically, the re-adjustment process led to a very minimal adjustment, with the average extension being of 6 weeks. As one can note, the re-adjustment mainly affects the individuals which have a contributory record composed of both class 1 and class 2 contributions. However, this segment of individuals only account for 1% of the total contributor population. Pertaining to the final estimates, the abovementioned indicators are updated as follows:

i. The average annual contribution density of a male Maltese national is of 38.4 weeks, whereby the average period of assessment is 12.3 years;

ii. The average annual contribution density of a female Maltese national is of 35.6 weeks, whereby the average period of assessment is 11.8 years;

iii. The average annual contribution density of a male TCN is of 28 weeks, whereby the average period of assessment is 3.6 years;

iv. The average annual contribution density of a female TCN is of 29.9 weeks, whereby the average period of assessment is 4.1 years;

v. The average annual contribution density of a male other national is of 19.1 weeks, whereby the average period of assessment is 7 years;

vi. The average annual contribution density of a female other national is of 19.1 weeks, whereby the average period of assessment is 7 years;

As similarly performed above, when multiplying the contribution density by the total period of assessment (i.e. 16 years), the abovementioned results shift as follows:

i. The average annual contribution density of a male Maltese national is of 33.8 weeks.

ii. The average annual contribution density of a female Maltese national is of 28.9 weeks;

iii. The average annual contribution density of a male TCN is of 7.5 weeks;

iv. The average annual contribution density of a female TCN is of 7.8 weeks;

v. The average annual contribution density of a male other national is of 8.1 weeks;

vi. The average annual contribution density of a female other national is of 7.8 weeks;

Aside from the observed difference between males and females (which will be further discussed in the upcoming subsection), Maltese nationals demonstrate the highest level of workforce participation in terms of social security contributions, both annually and over their working lifetime. TCNs, on the other hand, contribute significantly less, indicating that they may be engaged in short-term or less stable employment. Other nationals contribute more than TCNs but still fall far below the contribution levels of Maltese nationals. These findings highlight the lower integration of foreign workers, especially TCNs, into Malta's social security system, likely due to employment types, contract durations, or residency limitations.

In reference to the previously reported figures in the sub-section assessing the evolution of the average contributor, given that Maltese representation in contributors has massively declined (93% to 59%) and been replaced by non-Maltese nationals, revenue flow projections need to be adjusted to reflect the changing average contribution densities. Hence, policymakers need to further understand whether, and if so which, pension policy reforms (parametric or outside the system) are required to adjust the system accordingly.

Furthermore, the above-mentioned trends need to give due consideration to the newly released public consultation document regarding Malta's labour migration. Specifically, Malta's Labour Migration Policy introduces comprehensive recommendations centred on four key areas to balance economic growth with social sustainability. Firstly, to promote retention and stability, the policy enforces stricter employer eligibility criteria based on staff turnover, encouraging companies to prioritize employee retention through better working conditions and training opportunities. The renewal period for work permits will be extended from one to two years for

certain workers, and financial incentives will be introduced by increasing fees for first-time permits while reducing renewal fees. Additionally, the policy seeks to improve employers' direct access to recruit Third-Country Nationals (TCNs) without relying on costly intermediaries.

Secondly, the policy emphasizes the protection of employee rights and the enhancement of working conditions. Strengthened compliance measures, including more frequent inspections and stricter penalties, will be implemented to ensure adherence to labour laws. Salary payments to TCNs will be mandated through bank transfers to increase transparency and prevent exploitation. A more flexible system will allow TCNs a 30 to 60-day grace period to secure new employment after termination, providing job security and continuity. Moreover, employers making redundancies in similar roles will be barred from applying for new permits, ensuring fair employment practices.

Thirdly, to ensure that labour migration is aligned with Malta's labour market needs, the Labour Market Needs Test (LMNT) will be refined to prioritize job opportunities for local and EU nationals before resorting to hiring foreign workers. Workforce application limits will be introduced, restricting the number of TCNs that companies can employ based on their size, while quotas or moratoriums may be implemented for occupations facing labour surpluses. Additionally, firms will be required to maintain a minimum number of local or EU employees before being eligible to hire TCNs, promoting a balanced workforce.

Lastly, adopting a skills-based approach to migration, the policy introduces a Skilled Occupation List (SOL) that prioritizes roles critical to Malta’s economic development. Salary benchmarks for high-value roles under the Key Employment Initiative (KEI) and Specialist Employment Initiative (SEI) will be reviewed to attract highly skilled professionals. The policy also encourages training and integration programmes for low-skilled workers to enhance their capabilities and adaptability within the labour market. Collectively, these measures aim to create a fair, efficient, and sustainable labour migration system that supports Malta's economic growth while safeguarding the rights and welfare of all workers.

In sum, some of the described recommendations have the potential of influencing the contribution densities of the foreign-born working population. In particular, the stricter employment rules, reduction of renewal fee, extension of grace period, and most importantly that salary payments will only be made through bank transfers, will further bring current social security governance towards the level of flexibility and transparency required to ensure adequate coverage and formal employment. Furthermore, the introduction and implementation of the SOL will also aid in not only boosting the average contribution density but will most likely increase the average contribution value of foreign workers.

Going one step backwards, the fundamental question of what the indicators are trying to answer relate to the primacy of having high contribution densities in a Pay-As-You-Go (PAYG) system. From a system sustainability perspective, consistently low contribution densities create significant financial challenges. As in the case of Malta, where current workers' contributions fund existing retirees, a declining contributor base relative to the growing retiree population threatens the system's balance, increasing the risk of financial deficits and future insolvency.

However, the importance relates to not only to the revenue side of the system but also to pension benefits and social coverage. Specifically, in terms of pension adequacy, low

contribution densities often result in lower pension benefits or even ineligibility for pensions, especially in systems with strict minimum contribution requirements. On the other hand, in terms of coverage and equity, low contribution densities disproportionately harm lower-income and informal sector workers, leaving them more vulnerable to poverty in old age due to inadequate social protection. This dynamic exacerbates existing inequalities, as wealthier, formally employed individuals tend to have more consistent contribution records and, therefore, greater retirement security.

Delving deeper into the element of future pension beneficiaries, it is important to highlight the interaction between minimum contributory pension criteria, foreign contributors and projected pension expenditure. As originally reported by Grech (2021)[46], strong influxes of foreign workers have complicated the task of producing accurate population forecasts. Small countries are inherently more challenging to model, and the volatile nature of Malta's inflows and outflows magnifies the difficulty. Population projections made by Eurostat, which the European Commission relies on for its long-term ageing analyses, have thus been repeatedly revised upward.

A primary issue arises from how Eurostat's methods assume that most migrants eventually stay in Malta until retirement. This assumption is embedded in the time-series approach used; whereby separate models of immigration and emigration are set to converge over time. Furthermore, even though the European Commission does publish sensitivity analyses using different migration assumptions, these scenarios typically fail to account for the short average stay of foreign workers and the minimal pension vesting that results. As a consequence, official forecasts can overstate Malta's fiscal burden in the coming decades, potentially influencing both international credit ratings and local policy decisions in ways that needlessly constrain beneficial reforms—particularly those that might enhance pension adequacy.

In practice, it implies that today's large inflows of relatively young workers will contribute significantly to the older population in the coming decades. According to current Eurostat projections, Malta may have as many as 210,000 residents over the age of 65 by 2050, of whom about 42,000 would be former migrants. As a result, fiscal sustainability models that use these projections estimate that Malta will face one of the steepest increases in public pension expenditure across the EU, a rise nearly four times larger than the EU average.

However, administrative data paint a very different picture. As reported by Borg (2019)[47], the vast majority of migrants leave the country within a few years of their arrival, with around half departing within two years. High migrant turnover means that, while the number of foreign workers remains robust, the population stock is sustained by a continuing cycle of new arrivals rather than by a single, settled cohort. Furthermore, qualifying for Malta's main pension (the Two-Thirds pension) requires at least ten to twelve years of contributions for partial entitlements (pro rata) and 35 to 41 years for a full pension. Given that the median migrant worker was around 32 years old, very few will remain in Malta long enough to reach retirement age and qualify for a full pension. Indeed, fewer than one in twenty of Malta's current foreign

[46] A. G. Grech (2021). The Impact of Migration Assumptions on Ageing Expenditure Forecasts. Policy Note, Central Bank of Malta.
[47] Borg, I. (2019). The length of stay of foreign workers in Malta. Central Bank of Malta, Policy Note.

workers has any pension entitlement, and only a modest fraction of them will likely acquire such rights in the future.

To robustly test these results, above-mentioned metrics are replicated by utilizing partial (2008-2023) social security class 1 and class 2 contributor record data. The exercise finds that out of the 244,882 foreign individuals that have at some point between 2008 and 2023 contributed to Malta's social security contributory system, only 2.3% (5,736) of these individuals have paid at least ten years (520 weeks) of contributions. Comparing this metric to that reported by Grech (2021), the one-in-twenty ratio falls to one-in-fifty. For a complete picture, Figure 69 illustrates the distribution of foreign contributors on the basis of their respective number of paid contributions (weeks).

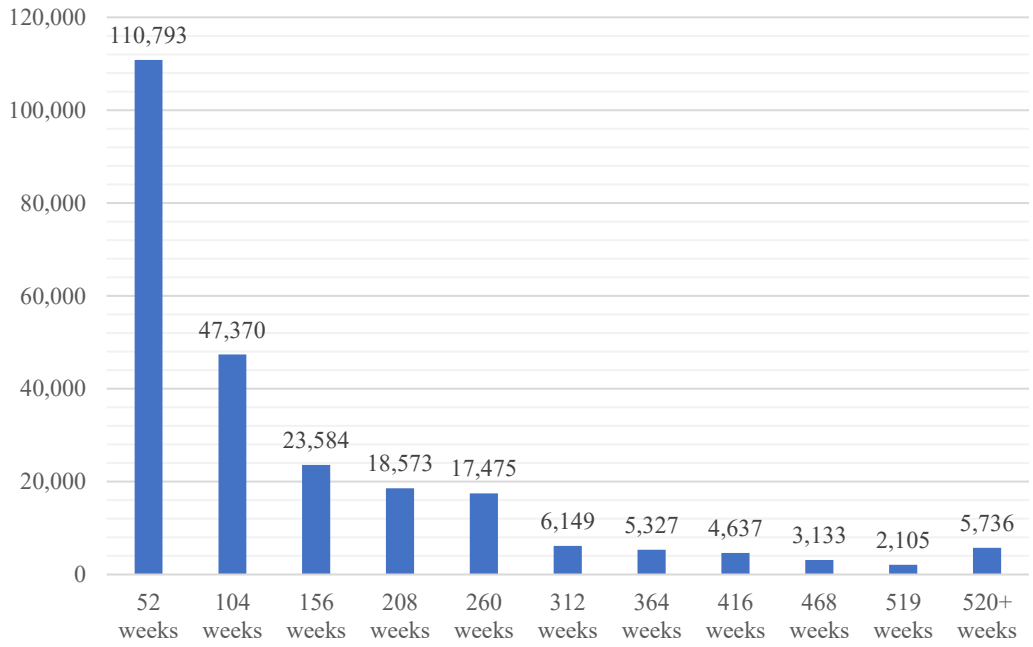


Figure 69: Distribution of foreign contributors by weeks of paid contributions.

Examining further, operating under the assumption that the last year where the individual has paid at least one SSC Class 1 or Class 2 contribution is equivalent to the individual leaving the country, Table 42 classifies foreign contributors by paid contributions and year of emigration. On this note, it is important to highlight that as the last data entry is 2023, the individuals which are classified in 2023 are individuals which can still be potentially present in the labour market.

For ease of interpretation, the following two case examples are referred to:

- In the year 2020, 890 individuals left Malta with an accumulated amount of social security contributions ranging between 105 and 156 weeks, i.e. 2-3 years' worth of paid contributions;
- In the year 2011, 345 individuals left Malta with an accumulated amount of social security contributions ranging between 157 and 208 weeks, i.e. 3-4 years' worth of paid contributions.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
52 weeks	2275	1479	1672	2061	2247	2643	3228	3866	5113	179	6984	10651	3968	5466	12289	41465
104 weeks	0	866	595	522	649	696	843	1105	1368	73	3628	1386	6141	4194	3193	22111
156 weeks	0	0	575	297	304	344	377	484	638	45	2507	1134	890	2605	3888	9496
208 weeks	0	0	0	345	203	177	187	218	302	15	1252	834	712	702	2334	11292
260 weeks	0	0	0	0	244	136	117	129	163	9	675	512	616	656	775	13443
312 weeks	0	0	0	0	2	185	97	98	101	6	427	275	360	470	653	3475
364 weeks	0	0	0	0	0	1	147	58	57	3	248	159	242	291	601	3520
416 weeks	0	0	0	0	0	0	0	134	76	1	160	96	153	188	335	3494
468 weeks	0	0	0	0	0	0	0	0	97	1	118	75	85	114	219	2424
519 weeks	0	0	0	0	0	0	0	0	0	1	77	63	76	94	134	1660
520+ weeks	0	0	0	0	0	0	0	0	0	0	149	131	204	235	382	4635

Table 42: Distribution of foreign contributors by paid weeks of contributions & year of emigration.

From a methodological standpoint, one should additionally highlight that from this analysis, it is hard to accurately pinpoint the year at which foreigners ultimately decide to settle in Malta. Specifically, five (5) factors must be considered:

1. The analysis is based on partial contributory records;
2. The assumption that no contributions is equivalent to the individual leaving Malta can be misleading as individuals may have shifted towards informal employment (i.e., do not pay contributions);
3. The transition in their decision making from being in Malta for the sole purpose of working towards the decision of bringing (where applicable) other family members;
4. The almost-annually-changing net rate of return of staying in Malta, and;
5. There are individuals which may have entered the labour market for a number of years, left and came back.

In spite of these caveats, the results clearly outline that the 10-year paid contribution threshold is only reached by a small percentage of foreign contributors, with the majority (89%) of foreign contributors having less than or equal to five years' worth of paid contributions.

The long-term impact of child-rearing on pension values

Following in the footsteps of several European and non-European countries' pension legislation, current Maltese pension policy does not distinguish between males and females. With this being said, over the years the government has introduced certain policies and policy changes with the aim of targeting specific sex-specific issues. In particular, women are expected to have lower contribution densities and contribution values, due to having both less linear career paths (predominantly due to child rearing) and lower wages/salaries. To address these disparities, policies including child-rearing contribution credits, the ongoing reform allowing widows' pensions to receive the full retirement pension of the deceased spouse and the reduced minimum pension eligibility criteria -- have been continually implemented and adjusted over the years

The abovementioned issue is also observed in the gender pension gap. However, one should also take note that the perceived "regression" is largely attributed to the introduction in 2015 of a new annual bonus granted to individuals—primarily, but not exclusively, married women—with fewer than 10 years of social security contributions who were previously

ineligible for a pension. As a result, around 14,000 women now receive this retirement benefit instead of receiving no support at all. However, this policy has unintentionally lowered the overall average pension amount, widening the gender pension gap by approximately 12 percentage points.

Going forward, even though child credits are not mandated by law to be provided to the mother, when assessing the allocation of child credits in real case studies, one would note that the main beneficiary of the policy are in fact women. This statement is further corroborated by a recent study commissioned by the National Commission for the Promotion of Equality (NCPE) titled "Perceptions and Attitudes of Women and Men in Malta towards Work-Life Balance: With a Specific Focus on Family Size ,stating that although almost all participants agreed that childcare responsibilities should be equally shared between men and women, only one percent of men reported taking the primary role.

All in all, one can note that the policies have taken two forms: the provision of credits for various activities (child-rearing, unemployment, voluntary work, etc.) and to directly boost old-age income of individuals after retiring. Furthermore, focusing on the former element, the allocated credits strictly have a "gap-filling" characteristic, whereby no value is assigned to them. In the case scenario of child-rearing, the fundamental ideology of policy has always focused on providing a number of credits on the basis of time spent away from the labour market.

However, one needs to give due importance to the impact of child-rearing on the level of income growth. In fact, empirical literature focusing on the impact of childbirth on a woman's income trajectory collectively demonstrates that childbirth imposes substantial and often persistent income penalties on women, influenced by factors such as marital status, occupation, and national context.

i. According to Wilde et al. (2010), utilising the 1979 National Longitudinal Survey of Youth (NLSY) and dividing women into different skill categories (high, medium, and low), two fundamental results emerge regarding continuation of employment and wage. Primarily, prior to their first birth, 70–75% of high-scoring women work full-time year-round, compared to only 55–60% of low-scoring women. Over time, high-scoring women experience steeper wage growth, whereas low-scoring women see minimal wage changes upon re-entering the workforce after childbirth. Five years post-birth, approximately 35% of both groups work full-time, but high-scoring women are more likely to shift to part-time work, while low-scoring women are more likely to exit the workforce entirely.

   After controlling for labour market experience and hours worked, low-scoring women face a permanent 6% pay cut upon having a child. High-scoring women incur an 8% pay reduction in the first five years post-birth, which deepens to a 24% wage penalty after ten years. In contrast, men's earnings are largely unaffected by fatherhood, though childless men tend to earn less than fathers. Interestingly, high-scoring women who delay childbirth earn more than their childless counterparts, but this earnings advantage diminishes significantly after they become mothers.

ii. The study titled *"The Motherhood Wage and Income Traps"* develops a dynamic model to explain how childbirth impacts women's wage trajectories and contributes to

persistent gender income gaps. The model focuses on how a temporary reduction in labour supply due to motherhood can lead to long-term wage stagnation or even permanent divergence in earnings between genders. This "wage trap" occurs when the initial shock from childbirth reduces women's labour supply and disrupts the accumulation of on-the-job human capital, hindering future wage growth. Even when women avoid the wage trap, slow recovery can result in significant and lasting earnings losses.

iii. Similarly, the study "The Heterogeneous Effects of the First Childbirth on Women's Income" investigates how the first childbirth impacts women's income trajectories using data from the National Longitudinal Survey of Youth (1979–2018). The findings reveal that approximately 73% of mothers experience a decline in income after their first childbirth compared to what they would have earned if they had remained childless. On average, women lose about $4,120 in annual income following childbirth. However, the effects are highly heterogeneous—10–20% of mothers face particularly severe income penalties. At the 5th quantile, mothers lose about $21,005 annually, while at the 95th quantile, some mothers actually earn $9,887 more than their estimated counterfactual income.

The study also identifies that certain groups of women are disproportionately affected by the income penalty. Older, single, or divorced, white, and more highly educated mothers tend to experience the most significant negative income impacts. Conversely, a small proportion of mothers, particularly those in higher income brackets prior to childbirth, may experience income gains.

iv. Lastly, the study "Earnings and Income Penalties for Motherhood" by Giacomo Vagni and Richard Breen analyzes the impact of motherhood on women's earnings and household income in Great Britain. Using data from the British Household Panel Survey (1995–2005) and employing the Individual Synthetic Control (ISC) method, the authors estimate the causal effects of motherhood on women's income trajectories.

The study finds that British women experience a significant earnings penalty after becoming mothers, with median earnings dropping by 28% in the first year and reaching a 45% loss over six years. However, household income remains largely unaffected on average, though lower-income families face greater negative impacts. Mothers who maintain full-time employment or return to work quickly experience smaller penalties, while younger, less-educated women and those with more children face greater income losses.

Shifting towards the practical, and strictly utilising class I contributor data, Figures 70-73 outline the average insurable and total wages of males and females, by single age bracket. Falling in line with *a priori* expectations, males perform better than their female counterparts across all ages. Furthermore, comparing the 2008 insurable wages to the pre-62 maximum pensionable income, one can note that the probability that a male will earn the maximum pension is relatively higher than that of females. The same statement holds true when comparing the 2023 insurable wages to the post-62 maximum pensionable income. However, most importantly, one can additionally note that whilst the average income (insurable and total) of males shows a continual increase, the average income growth of women slows down (if increases at all) around the 30-32 age bracket.

From a policy perspective, despite the fact that the current legislation rightfully provides continual social protection and covers child-bearing gaps, the penalty of motherhood is a reduction in the probability of obtaining not only the maximum pension, but a relatively higher pension altogether. Although, such an element needs to be studied in further detail to derive the statistically significant impact.

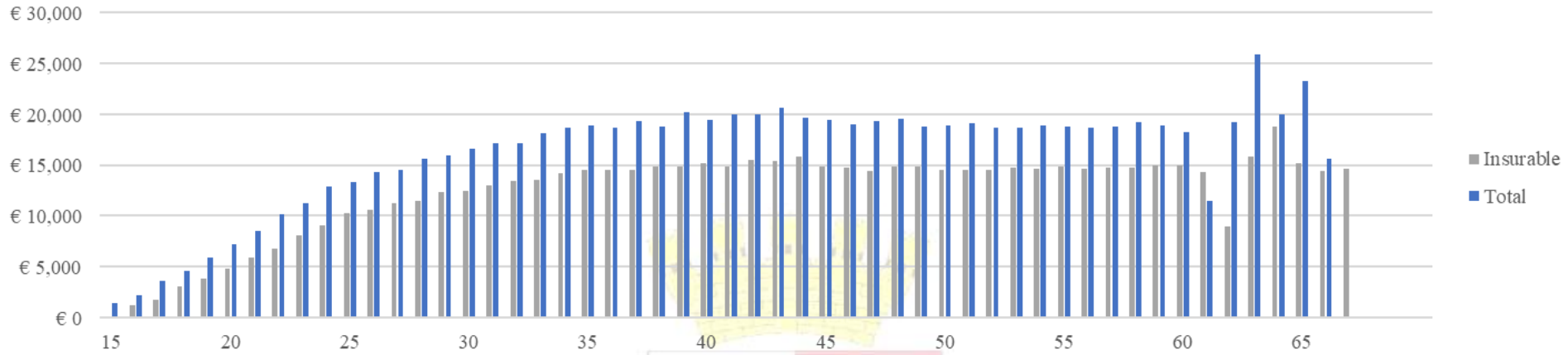


Figure 70: Insurable and total wages for males, by single age-bracket, 2008

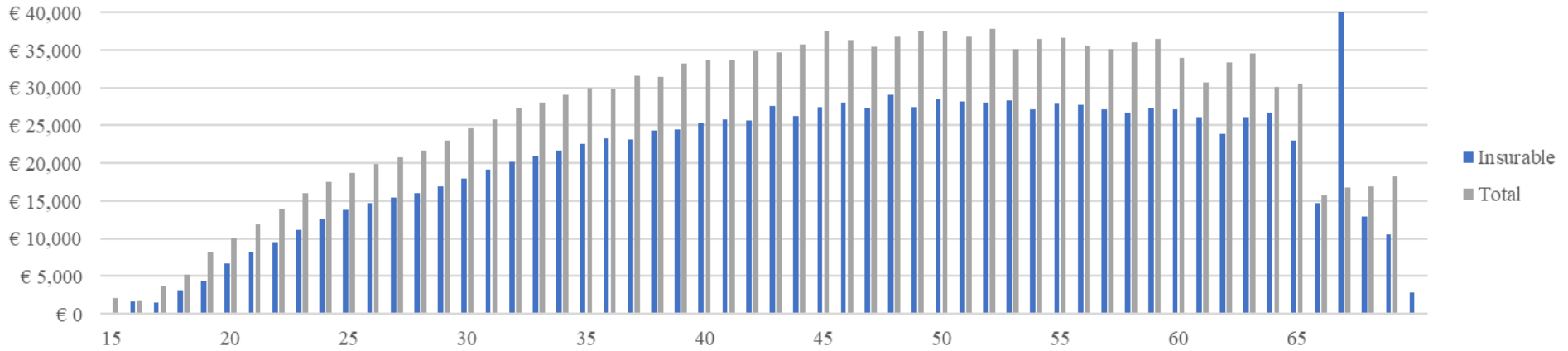


Figure 71: Insurable and total wages for males, by single age-bracket, 2023

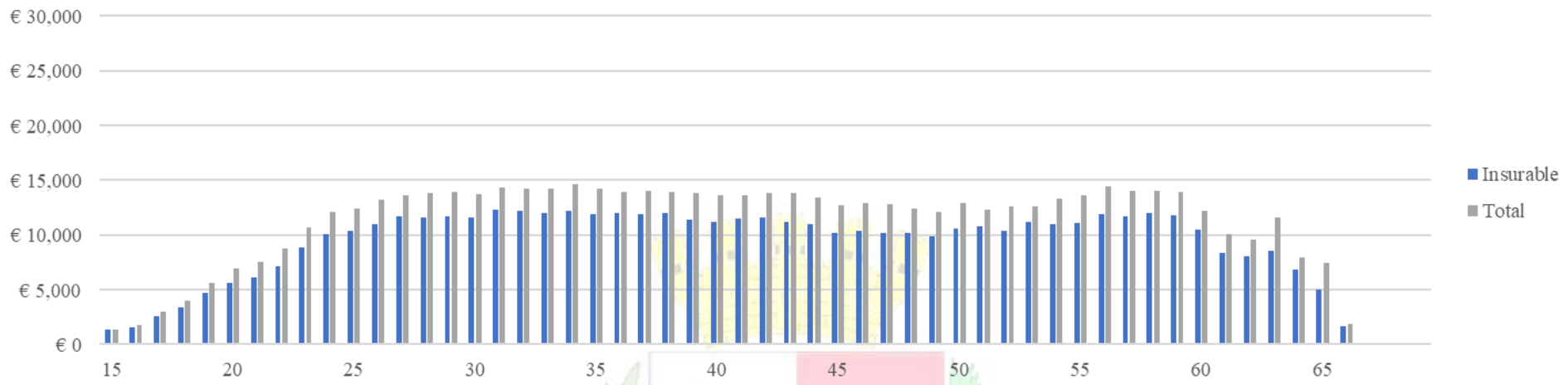


Figure 72: Insurable and total wages for females, by single age-bracket, for the year 2008.

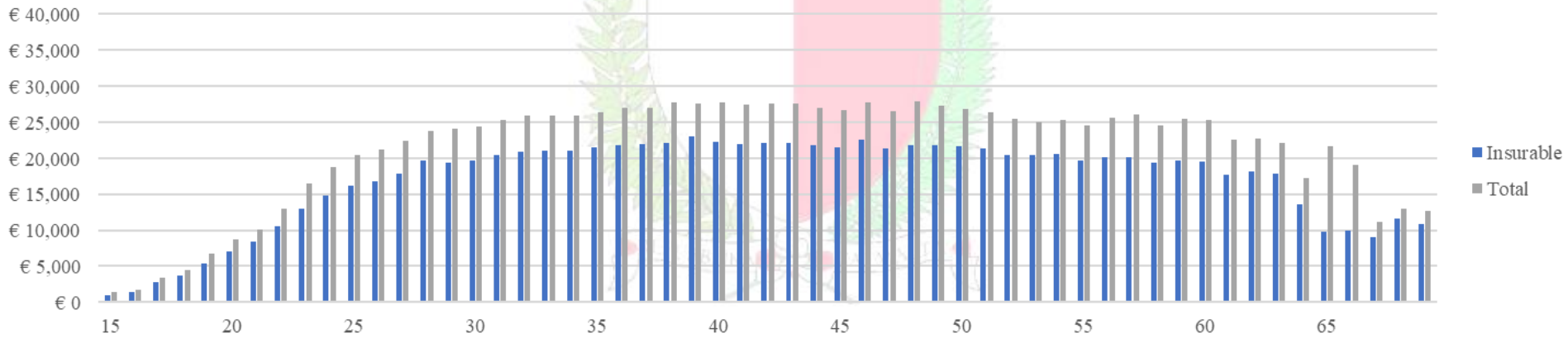


Figure 73: Insurable and total wages for females, by single age-bracket, for the year 2023.

Increasing yet low take-up of private pensions

In Malta, individuals investing in private pension schemes can take advantage of tax incentives designed to promote retirement savings. Starting in 2025, contributors will be entitled to a 25% tax credit on their annual contributions, up to a maximum of €3,000, allowing for a potential tax rebate of €750 per year. Shifting towards the statistics, Table 43 presents' data on Voluntary Occupational Pension Schemes (VOPS) and Private Retirement Schemes (PRS), comparing the number of contributors and total savings accumulated in both schemes.

	2018	2019	2020	2021	2022	2023
VOPS - Members	843	948	1045	1650	2826	3286
PRS - Members	3609	6434	9387	13509	17878	22889
Count of employers	10	14	26	66	84	104
Aggregate contributions paid, VOPS						
… by employee	€205,791	€633,499	€855,103	€1,125,868	€2,491,096	€3,653,123
… by employer	€269,807	€823,422	€1,052,519	€995,772	€3,613,101	€4,887,964
Aggregate contributions paid, PRS	€3,293,898	€7,893,586	€12,445,373	€21,051,488	€28,166,845	€35,279,144
Average contributions paid, VOPS	€564	€1,537	€1,825	€1,286	€2,160	€2,599
Average contributions paid, PRS	€913	€1,227	€1,326	€1,558	€1,576	€1,541

Table 43: Private retirement and voluntary occupational pension scheme statistics.

Between 2018 and 2023, both Voluntary Occupational Pension Schemes (VOPS) and Private Retirement Schemes (PRS) in Malta experienced rapid and sustained growth, reflecting increasing engagement from both individuals and employers in supplementary retirement saving. Membership in VOPS grew from 843 to 3,286 participants—nearly quadrupling over the five-year period—while PRS membership expanded even more dramatically, from 3,609 to 22,889, marking an increase of more than sixfold. Employer participation followed a similar trajectory, rising from just 10 employers in 2018 to 104 in 2023, signalling a growing willingness among firms to offer pension-related benefits and support long-term financial planning for employees.

Aggregate contributions also rose sharply across both schemes. In VOPS, employee contributions increased from approximately €206,000 in 2018 to €3.65 million in 2023, while employer contributions grew from €270,000 to nearly €4.9 million over the same period. Employers consistently contributed more than employees, indicating that businesses are actively incentivising participation. The PRS scheme, meanwhile, saw total contributions increase tenfold—from €3.3 million in 2018 to €35.3 million in 2023—demonstrating its broader appeal, particularly among individuals saving independently of their employers.

Average contributions followed different patterns between the two schemes. For VOPS, the average contribution rose sharply from €564 in 2018 to €1,825 in 2020, before dipping to €1,286 in 2021 and recovering to €2,599 in 2023. This fluctuation may reflect the entry of new employers and members contributing smaller amounts, or temporary pandemic-related income effects. PRS contributions grew more steadily, from €913 in 2018 to €1,541 in 2023, indicating a maturing market with consistent saving behaviour among participants. However, the pace of growth in PRS average contributions noticeably slowed after 2021, suggesting a gradual stabilisation and possibly a dilution effect as large numbers of new, smaller savers entered the system. This slowdown could imply that while participation continues to expand, the

incremental contributions per individual are levelling off, pointing to a broader base of contributors but with lower average savings intensity. It may also indicate that early adopters—who were likely higher-income individuals—have already established their contribution patterns, while recent entrants represent a more diverse demographic with varying financial capacities.

For additional context, internal studies find that whilst pension income for current retirees in Malta primarily comes from the public pension system, 15.4% of pensioners in the 2021 HFCS wave reported receiving income from private or occupational pension plans. These plans likely stem from pre-1979 occupational schemes, life insurance policies intended to supplement pensions, or private pension plans with overseas providers. The median annual income from private plans was €4,800 in 2021, compared to €8,587 from public pensions, but for half of private pension beneficiaries, these plans accounted for at least 50% of their total pension income.

Although personal pension plans in Malta were formally regulated in 2015, many individuals enrolled in voluntary pension plans before this period. The share of individuals aged 25–64 actively contributing to a pension plan for up to six years was 2.8% in the 2021 wave, significantly higher than the 0.3% participation rate recorded in internal sources by the end of 2020. This discrepancy suggests that some respondents may have private pension plans held abroad. Nonetheless, current working-age participation in private pensions remains lower than that of retirees receiving voluntary pension income, indicating that greater efforts are needed to increase uptake.

In sum, ensuring long-term pension sustainability in Malta depends on increasing private pension participation. While membership in locally established pension plans grew more than fivefold between 2018 and 2023, it still remained below 9% of the working-age population. To encourage further uptake, maintaining financial incentives and introducing additional awareness initiatives is recommended.

To this end, while individuals are free to contribute beyond the €3,000 threshold, any additional amount will not qualify for further tax credits. These incentives form part of Malta's broader strategy to encourage private retirement savings and support long-term financial stability for its citizens.

Although, combining the applicable threshold with the fact that approximately 40% of Maltese nationals' income relative to the applicable maximum pensionable income is not accounted for in social security, due either to low wages or wages earned as non-basic wages, it begs the question whether the ever-rising presence of non-basic wages could be utilised to provide income security in old-age. Specifically, the role of non-basic wages in the context of old-age income can be utilised as private pension investments to either finance the gap between the individual's basic wage and applicable maximum pensionable income or provide additional income beyond the maximum pension earned. Hence, the fundamental questions being asked and assessed in this sub-section related to:

1. What is the presence and distribution of non-basic wages and their potential role in third pillar pensions?

2. How can the tax incentive for private pension investment be adjusted to reflect the real availability of wages?

Prior to assessing the average non-basic wages, it is important to note both the distribution of non-basic wages (by sex and nationality) & the distribution of individuals by "availability" of non-basic wages. Starting off, figure 74 showing the distribution of non-basic wages in Malta from 2008 to 2023 shows a steady increase over time, with significant growth observed from 2014 onward. The data reveals that Maltese national males consistently receive the largest share of non-basic wages, although their dominance has slightly declined as non-Maltese nationals increasingly contribute to the labor market.

Notably, non-Maltese males have seen a sharp rise in their share, especially after 2014, indicating a growing reliance on foreign labor. While non-Maltese females initially had a minimal presence in the distribution of non-basic wages, their share has expanded significantly since 2018. Maltese national females have also seen gradual growth in their earnings, yet their portion remains relatively small compared to their male counterparts. A particularly sharp increase in non-basic wages is evident from 2021 onward, likely due to post-pandemic economic recovery, increased workforce participation, or wage adjustments. Additionally, the gender wage gap remains evident, as women, regardless of nationality, continue to earn a smaller proportion of non-basic wages compared to men.

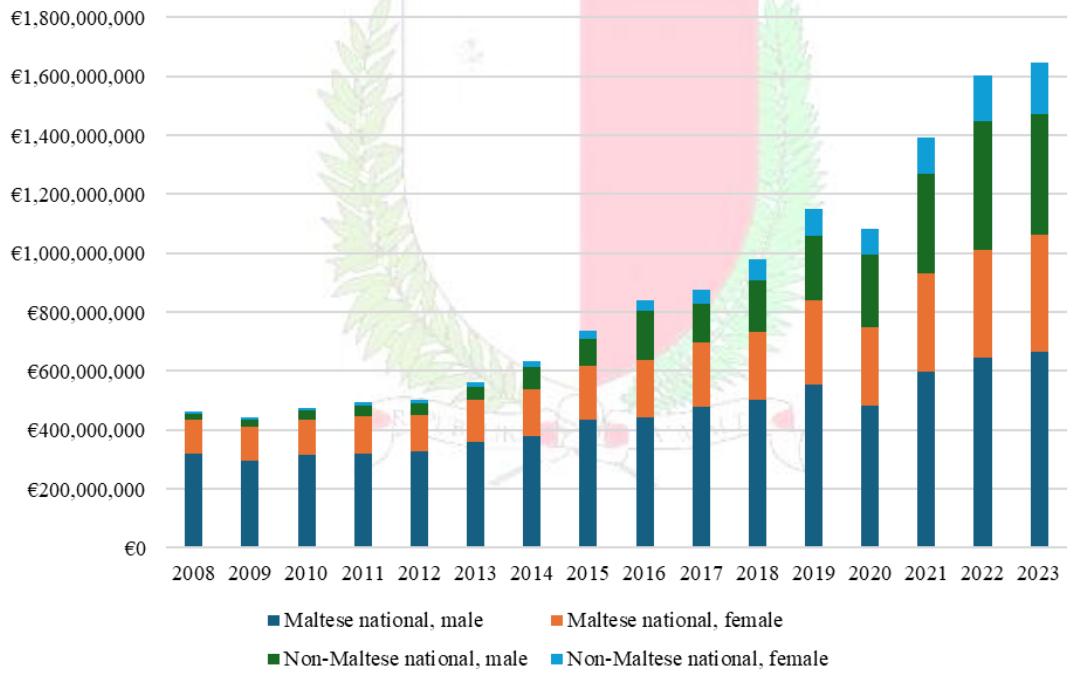


Figure 74: Distribution of non-basic wages by sex & nationality

Secondly, the distribution of non-basic wages from 2008 to 2023 illustrated in figure 75, outlines a consistent upward trend, with a significant rise in the number of individuals earning non-basic wages over time. The majority of earners fall within the lowest wage bracket (≤1,000), as indicated by the dominant blue section in each bar, though its proportion has slightly decreased in recent years. Higher wage brackets, particularly those above €4,000, have expanded over time, reflecting an overall increase in earnings across various categories. The most notable growth occurred post-2015, where the total number of earners in all wage

categories saw a more pronounced increase, possibly due to economic and labor market expansions.

Additionally, from 2018 onwards, higher wage brackets (>€10,000) have become more prominent, suggesting an increasing number of individuals receiving substantial non-basic wages. This could indicate a rise in skilled professionals, executive compensation, or performance-based pay structures. The overall trend highlights a broadening wage distribution, with both lower and higher income groups growing.

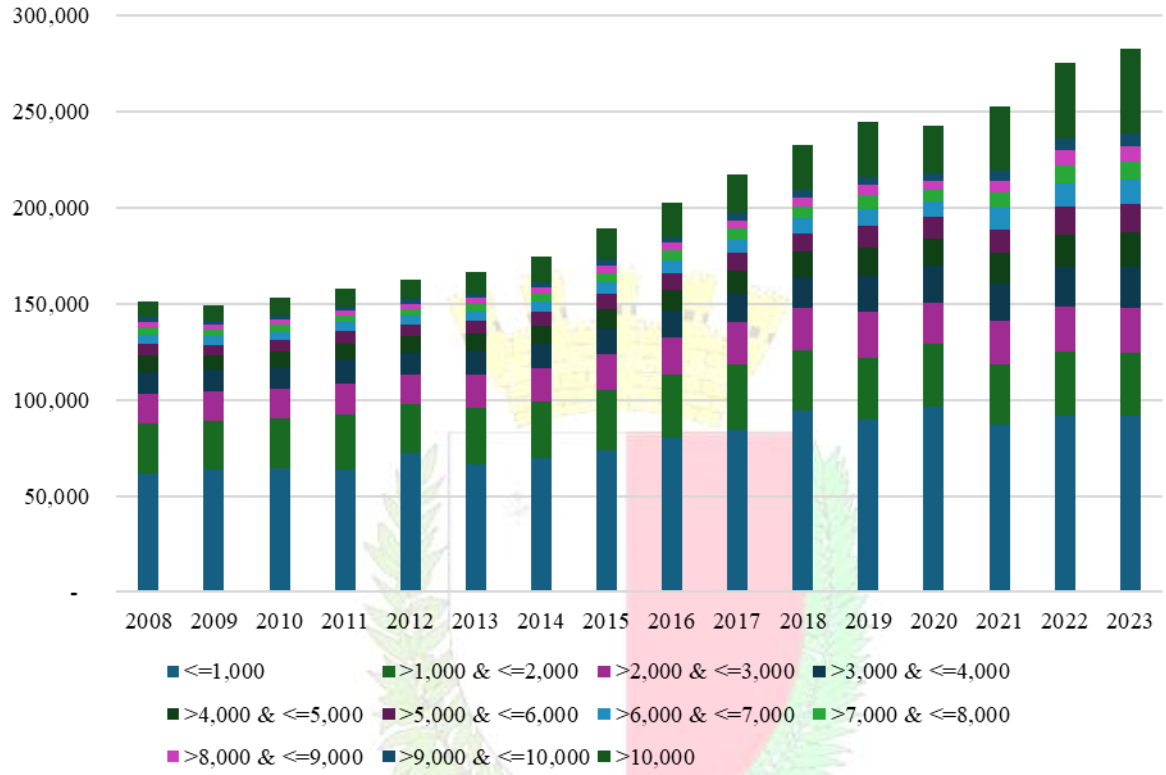


Figure 75: Distribution of non-basic wages

Going forward, in order to understand the potential benefit of interlinking non-basic wages to the incentive of private pension investment, the following two frameworks of assessment were applied:

1. Availability of non-basic wages limited to the applicable MPI (whereby the maximum amount is linked to gap between basic wage and MPI and based on individual's reported non-basic wages for the year). In other words, this indicator utilises non-basic wages to bridge the gap between the basic wage and the applicable MPI, with the individual utilising said non-basic wages for private pension investment.

2. Availability of all non-basic wages, whereby no maximum amount is linked, but strictly limited to the individual's reported non-basic wages for the year. Hence, in this approach, all of the reported non-basic wage is considered as the potential/available income that can be shifted towards private pensions.

The derived metrics are replicated for the combinations of Maltese and non-Maltese males and females, for the years 2008-2023. Furthermore, due to unavailability of the reported income of

class II contributors, these metrics are strictly based on class I contributor data. Although, as class I contributors are expected to capture the majority of the private pension target audience and the general population altogether, this caveat should not impact the estimated parameter.

Applying said methodologies, figure 76 illustrates the potential policy relationship between private pension policy and non-basic wages. Over time, both metrics show a steady increase, indicating rising non-basic wages across the board. Notably, the growth rate of the method 2 average wage accelerates sharply from 2019 onward, surpassing €10,000 in 2022 and 2023. In contrast, the method 1 average wage follows a more gradual upward trend. As one expects, the disparity arises due to the fact that method 2 does not restrict the availability of non-basic wages relative to the applicable maximum income but also considers non-basic wages beyond the pre- or post-1962 MPI.

Thus, comparing the average non-basic wage derived utilising the first method to the €3,000 derived, one may argue that there is no need to increase the current tax inventive threshold. Although, comparing the average non-basic wage derived utilising the second method, there is a sizeable gap between the availability of funds and the currently applied private pension incentive threshold. Thus, subject to financing, one may argue that there is room to increase the €3,000 mark.

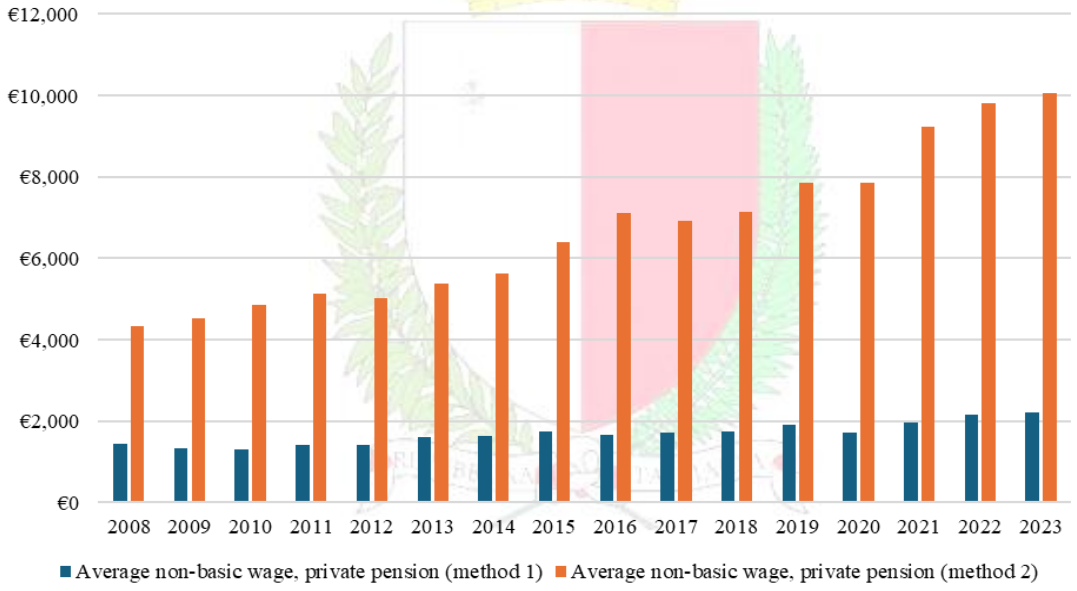


Figure 76: Linking private pension policy to non-basic wages

Delving deeper into the statistics, figures 77 and 78 provide the average non-basic wage figures for male and female Maltese and non-Maltese nationals. The figures shows that Maltese national males had the highest average non-basic wages, followed by non-Maltese national males, while Maltese and non-Maltese females consistently earned lower amounts. Over time, however, there has been a notable increase in the non-basic wages of non-Maltese national males, surpassing all other groups by 2023. The non-Maltese national female segment has also seen steady growth, surpassing Maltese females in non-basic wages in recent years. Meanwhile, Maltese national females continue to earn the lowest non-basic wages across the entire period, indicating a persistent gender wage gap.

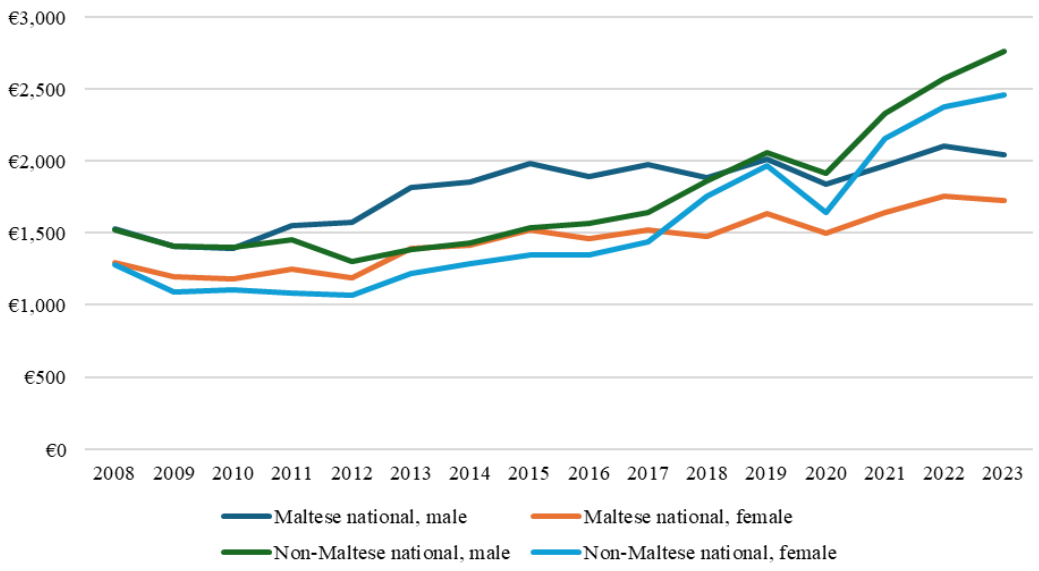


Figure 771: Linking private pension policy to non-basic wages, by sex & nationality, using method 1.

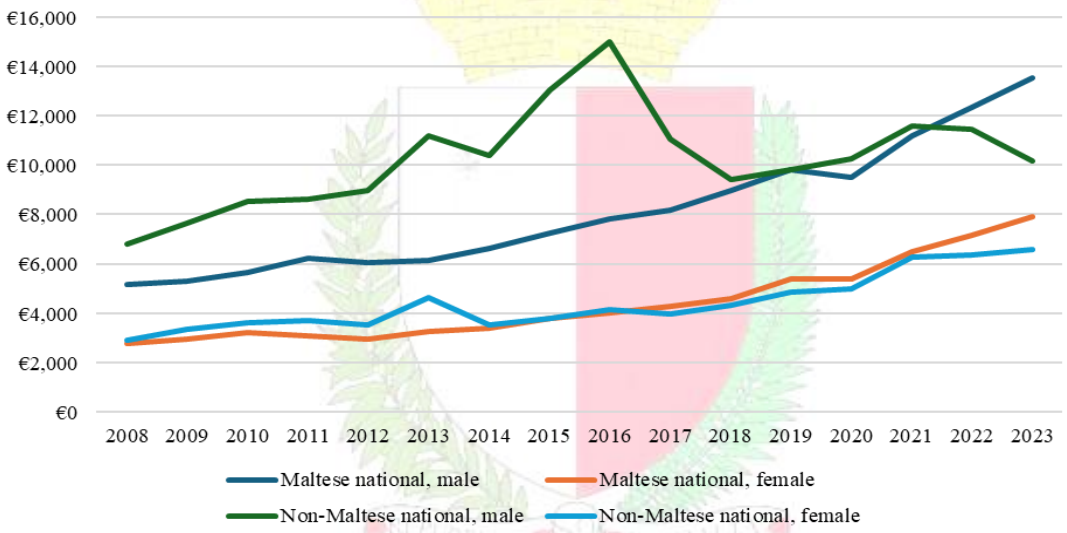


Figure 78: Linking private pension policy to non-basic wages, by sex & nationality, using method 2.

Alternatively, in reference to figure 79, a key observation is the significant disparity between non-Maltese national males and all other groups, as they consistently receive the highest non-basic wages. Their earnings fluctuate over the years but show substantial peaks, notably in 2013, 2015, and 2017, where they surpass €10,000 and even approach €15,000 in some cases.

In contrast, Maltese national males have more stable but steadily increasing non-basic wages, rising from approximately €5,000 in 2008 to over €10,000 in 2023. Meanwhile, females in both nationality groups have consistently lower non-basic wages, though non-Maltese females show a gradual increase and, by 2023, earn nearly the same as Maltese males. The Maltese national females remain the lowest-earning category, reflecting once again the persistent gender wage gap. Lastly, to further understand the adequacy of the currently applied €3,000 mark, figures reported in Annex 2 present the number of individuals by sex and nationality, which on the basis of basic and non-basic wage conditions, have:

a. Basic wages below the applicable MPI and a non-basic wage more than €3,000;

b. Basic wages above the applicable MPI and a non-basic wage more than €3,000;

In reference to these figures, the following salient points can be derived:

i. Among Maltese male nationals, there has been a steady increase in the number of individuals earning above the MPI with significant non-basic wages. As a percentage of the population, both groups have grown, but the increase is more pronounced among those earning above the MPI, particularly after 2017.

ii. A similar trend is observed for Maltese female nationals, but their overall numbers remain lower compared to their male counterparts. Although more women are now earning non-basic wages exceeding €3,000, their representation in higher non-basic wage brackets remains limited, reflecting persistent gender disparities. However, from 2015 onward, there has been a noticeable increase in female workers receiving higher non-basic wages,

iii. In contrast, non-Maltese male nationals have experienced the most significant rise in both absolute numbers and as a percentage of the population. The proportion of non-Maltese males earning above the MPI with high non-basic wages has increased sharply, particularly after 2018, indicating that foreign male workers are increasingly securing well-paying positions.

iv. Non-Maltese female nationals also show a substantial rise in the number of individuals earning non-basic wages, especially from 2015 onward. The percentage data reveals a rapid increase in those below the MPI but still earning non-basic wages, suggesting that many foreign female workers occupy lower-wage roles while receiving additional performance-based pay.

Policy gap in the allocation of child credits for two or more children

Currently legislation dictates that child credits "are awarded until the age of 6 (six), or in the case of a child with a disability/-ies, until the age of ten (10) years." Furthermore, child credits are not awarded during the overlapping periods which are:

- Already covered with social security contributions through gainful occupation;
- Already covered by social security credits from other contributory benefits;
- Already covered by credits for siblings born earlier, or at the same time as in case of multiple pregnancies.

Combining the opening remark and the third parameter, there are specific circumstances (expected to be a small number of individuals) whereby the individual (which in almost all cases is the mother) will not benefit from the full amount of child credits. The following case examples illustrate the potential policy gap.

Case study 1: Two children, two-year gap

The primary case study evaluated is that of a mother born after 1962, who can benefit from a maximum of four (4) child credits per child up to the third child and two (2) child credits after the fourth child if the individual spends the same amount of time in gainful employment (employed/self-occupied).

Furthermore, assuming that the 1st child is born on the 1st of January 1994, the second child is born on the 1st of January 1996, and the parent does not assume any gainful employment during the period between 1994 and 2002 (i.e. 8 years), the following child credits can be allocated:

- 1st child: Four (4) years of child credits for the period between 1994 and 1998, hence maximum credits can be allocated.
- 2nd child: Four (4) years of child credits for the period between 1st January 1998 and 31st December 2002 can be allocated, and hence maximum credits can be allocated. Given that during 1994 and 1996, the parent is still receiving child credits from the 1st child, legislation dictates that no child credits are awarded during this overlapping period. Furthermore, as the parent will no longer benefit from child credits after the 1st of January 1998 and the 2nd child will be two years of age, the maximum amount of four (4) years can be allocated when the 2nd child is aged between 2 (1st January 1998) and 6 (31st December 2001).

Period	1st child age	1st Child credit allocation	2nd child age	2nd Child credit allocation
01/01/1994 – 31/12/1994	0-1	Awarded credit		
01/01/1995 – 31/12/1995	1-2	Awarded credit		
01/01/1996 – 31/12/1996	2-3	Awarded credit	0-1	
01/01/1997 – 31/12/1997	3-4	Awarded credit	1-2	
01/01/1998 – 31/12/1998	4-5		2-3	Awarded credit
01/01/1999 – 31/12/1999	5-6		3-4	Awarded credit
01/01/2000 – 31/12/2000	6-7		4-5	Awarded credit
01/01/2001 – 31/12/2001	7-8		5-6	Awarded credit

Table 44: Case Study 1 – Allocation of child credits

Final assessment: A maximum of eight (8) years of child credits can be allocated to the parent.

Case study 2: Two children, one-year gap

Complicating the situation further is the case study of a mother born after 1962 with children born one-year apart instead of two years. Assuming that the 1st child is born on the 1st of January 1994, the second child is born on the 1st of January 1995, and the parent does not assume any gainful employment during the period between 1994 and 2002 (i.e. 8 years), the following child credits can be allocated:

- 1st child: Four (4) years of child credits for the period between 1994 and 1998, hence maximum credits can be allocated.
- 2nd child: Three (3) years of child credits for the period between 1st January 1998 and 31st December 2000 can be allocated, and hence maximum credits cannot be allocated. Given that during 1994 and 31st December 1997 the parent is still receiving child credits from the 1st child, legislation dictates that no child credits are to be awarded for the second child during this overlapping period. Furthermore, as the parent will no longer benefit from child credits after the 1st of January 1998 and the 2nd child will be three years of age, the maximum amount of three (3) years can be allocated when the 2nd child is aged between 3 (1st January 1998) and 6 (31st December 2000).

Period	1st child age	1st Child credit allocation	2nd child age	2nd Child credit allocation
01/01/1994 – 31/12/1994	0-1	Awarded credit		
01/01/1995 – 31/12/1995	1-2	Awarded credit	0-1	
01/01/1996 – 31/12/1996	2-3	Awarded credit	1-2	
01/01/1997 – 31/12/1997	3-4	Awarded credit	2-3	
01/01/1998 – 31/12/1998	4-5		3-4	Awarded credit
01/01/1999 – 31/12/1999	5-6		4-5	Awarded credit
01/01/2000 – 31/12/2000	6-7		5-6	Awarded credit
01/01/2001 – 31/12/2001	7-8		6-7	

Table 45: Case Study 2 – Allocation of child credits

Final assessment: A maximum of seven (7) years of child credits can be allocated to the parent.

Case study 3: Three children, with a two-year and one-year gap.

The last case study is that of a mother born after 1962 with three children, with the first two children born two-years apart and the second and third children born one year apart. Assuming that the 1st child is born on the 1st of January 1994, the second child is born on the 1st of January 1996, and the third child is born on the 1st of January 1997, and the parent does not assume any gainful employment during the period under question, the following child credits can be allocated:

Period	1st child age	1st Child credit allocation	2nd child age	2nd Child credit allocation	3rd child age	3rd child credit allocation
01/01/1994 – 31/12/1994	0-1	Awarded credit				
01/01/1995 – 31/12/1995	1-2	Awarded credit				
01/01/1996 – 31/12/1996	2-3	Awarded credit	0-1			
01/01/1997 – 31/12/1997	3-4	Awarded credit	1-2		0-1	
01/01/1998 – 31/12/1998	4-5		2-3	Awarded credit	1-2	
01/01/1999 – 31/12/1999	5-6		3-4	Awarded credit	2-3	
01/01/2000 – 31/12/2000	6-7		4-5	Awarded credit	3-4	
01/01/2001 – 31/12/2001	7-8		5-6	Awarded credit	4-5	
01/01/2002 – 31/12/2002	8-9		6-7		5-6	Awarded credit
01/01/2003 – 31/12/2003	9-10		7-8		6-7	
01/01/2004 – 31/12/2004	10-11		8-9		7-8	

Table 46: Case Study 3 – Allocation of child credits

- 1st child: Four (4) years of child credits for the period between 1994 and 1998, hence maximum credits can be allocated.
- 2nd child: Four (4) years of child credits for the period between 1st January 1998 and 31st December 2002 can be allocated, and hence maximum credits can be allocated. Given that during 1994 and 1996, the parent is still receiving child credits from the 1st child, legislation dictates that no child credits are awarded during this overlapping period. Furthermore, as the parent will no longer benefit from child credits after the 1st of January 1998 and the 2nd child will be two years of age, the maximum amount of four (4) years can be allocated when the 2nd child is aged between 2 (1st January 1998) and 6 (31st December 2001).
- 3rd child: One (1) years of child credits for the period between 1st January 2002 and 31st December 2003 can be allocated, and hence the maximum credits cannot be allocated. Given that during 1998 and 2001, the parent is still receiving child credits from the 2nd child, legislation dictates that no child credits are awarded during this overlapping period. Furthermore, as the parent will no longer benefit from child credits after the 1st of January 2022 and the 3rd child will be five years of age, the maximum amount of one (1) year can be allocated when the 3rd child is aged between 5 (1st January 2002) and 6 (31st December 2002).

Final assessment: A maximum of nine (9) years of child credits can be allocated to the parent.

In order to understand the extent of this potential issue, a separate exercise was conducted amongst mothers born on or after 1962 (resulting in a data extraction of 90,000 individuals). As the policy focus is on the policy-associated intersection between the parents' respective child births, the first stage of the process involved the filtering of mothers by the distance of date of births of their children and disability status. For the sake of this exercise, and as will be explained further below, the targeted cohort can be disaggregated into three groups:

1. Mothers with at least two children born less than one year apart;
2. Mothers with at least two children born less than two years apart, but more than one year.
3. Mothers with at least one child with a disability, i.e. in receipt of the disability child allowance (or DCA).

Secondly, child credits are allocated by utilising the current methodology, i.e. child credits are awarded until the child age of 6 (six), or in case of child with disability, until the age of 10 (ten) years. Taking one step backwards, by means of stress-testing the policy parameter, it was identified that in order to remove the policy's potential discrimination between its beneficiaries, the following adjustment is required:

"In the case whereby the family has no children with disabilities, the maximum age to benefit from child credits needs to be set at ten (10) years of age for the first three (3) children and increases by one (1) year for each additional child thereafter. On the other hand, there should be no applicable maximum age to benefit from child credits for parents with at least one child with disabilities will be applied."

The latter process involved the assessment of the:

1. Mother's date of birth, children(s) date of births, child reference number (i.e. sequential positioning amongst siblings), adjacent age-gaps and whether DCA is received;
2. Paid contribution history (between 1974 to 2024);
3. Final filtering of individuals on the basis of two conditions:
    a. Already in receipt of a pension;
    b. Do not qualify for the contributory pension, i.e. do not have at least ten (10) years of paid contributions.
4. Repeat the process utilising the proposed policy change.

Utilising the above-mentioned categorization, Tables 47-49 illustrate the impact of the policy change by type of cohort. For ease of reference;

3. The number of qualifying mothers refers to the number of mothers who are categorized within the child age-distance parameter;
4. The expected impacted number of mothers refers to the number of individuals projected to be impacted by the policy revision, whereby individuals who are either excluded if they have already retired, do not have at least 10 years of paid contributions, are already in full receipt of the child credits or the child credits to be potentially earned fall during paid-contribution years.
5. Aggregated number of weeks and years gained from child credit contributions, are divided into two figures, whereby;
    a. The first figure refers to the total number of weeks to be potentially gained by the impacted number of qualifying mothers;

b. The second figure refers to the total number of years to be potentially gained by the impacted number of qualifying mothers;

6. Average number of SSC weeks and years gained through amended policy, are divided into two figures, whereby:

   a. The first figure divides the total number of weeks to be potentially gained by the impacted number of qualifying mothers;

   b. The second figure divides the total number of years to be potentially gained by the impacted number of qualifying mothers;

Qualifying mothers with at least two children born less than one year apart	925 individuals
Impacted qualifying mothers with at least two children born less than one year apart	639 individuals
Aggregate number of SSC weeks & years gained from child credit contributions	51,673 weeks or 994 years
Average number of SSC weeks and years gained through amended child credit policy	80.9 weeks or 1.6 years

Table 47: Category 1 - Mothers with at least two children born less than one-year apart

Qualifying mothers with at least two children born less than two years apart, but more than one year	5,864 individuals
Impacted qualifying mothers with at least two children born less than two years apart, but more than one year	2,925 individuals
Aggregate number of SSC weeks & years gained from child credit contributions	164,998 weeks or 3,173 years
Average number of SSC weeks and years gained through amended child credit policy	56.4 weeks or 1.1 years

Table 48: Category 2 - Mothers with at least two children born less than two-years apart, but more than one-year

Qualifying mothers with at least one child with a disability (in receipt of DCA)	3,846 individuals
Impacted qualifying mothers with at least one child with a disability (in receipt of DCA)	993 individuals
Aggregate number of SSC weeks & years gained from child credit contributions	183,350 weeks or 3,526 years
Average number of SSC weeks and years gained through amended child credit policy	184.6 weeks or 3.6 years

Table 49: Category 3 - Number of qualifying mothers with at least one child with a disability (in receipt of DCA)

Thus, by the first qualification criteria, approximately 12% of individuals would be expected to be impacted if no change occurs. However, either due to paying their contributions by returning to work or already in receipt of a pension, this figure drops to 5%. Furthermore, it is important to note the varying impact on the basis of child date-of-birth "distance" and disability status. Specifically, mothers with at least one child with a disability are expected to benefit the most from the policy change (average impact of 3.6 years) and mothers with at least two

children born less than two-years apart, but more than one-year, having the smallest of impact (average impact of 1.1 years).

In sum, even though the currently implemented child-age parameter in the child-rearing credit allocation methodology is expected to not impact the majority of potential recipients (due either to the "distance" in births between children being greater than two years (on average) or individuals returning to work before reaping the full benefits of the policy), there still remains a policy caveat which can result in discrimination between mothers who have their children in relative quick succession versus those who don't.

One must also keep in mind that as parents further delay their decision to have children, parents who want more than one child are more likely to have them in a shorter timespan due to the reduced window of fertility. Thus, the future potential recipients of the child credit policy have a higher probability of not reaping the full benefit of the policy at hand.

The evolution of financial capability in Malta

Financial literacy plays a vital role in ensuring the adequacy and sustainability of pensions, enabling individuals to make well-informed decisions about their retirement planning and financial security. As pension systems continue to evolve due to demographic changes, economic uncertainties, and policy reforms, individuals must navigate complex financial choices to secure a stable post-retirement income. A strong understanding of key financial concepts such as inflation, compound interest, investment strategies, and pension fund management helps individuals optimize their savings, assess risks, and plan effectively for the future.

Limited financial literacy can result in insufficient savings, poor investment decisions, and an overdependence on state pensions, increasing the likelihood of financial instability in retirement. With a growing emphasis on private pension schemes, voluntary retirement savings, and employer-sponsored plans, financial literacy is essential for maximizing available benefits, understanding tax incentives, and making sound investment choices. Enhancing financial literacy through education, workplace initiatives, and awareness programmes can improve financial preparedness, promote greater financial independence, and alleviate pressure on social security systems.

Shifting towards the local context, the 2024 report titled *A Study on Adult Financial Literacy in Malta* provides a comprehensive analysis of financial literacy levels among Maltese residents aged 18 to 79. Conducted as part of an international study led by the Organisation for Economic Co-operation and Development's International Network on Financial Education (OECD/INFE), the research aims to assess the extent to which adults in Malta understand and apply financial knowledge in their daily lives. The study examines three core areas: financial knowledge, financial behaviour, and financial attitudes, offering a well-rounded perspective on the financial competencies of Maltese adults. It also presents comparative insights between Malta's 2018 and 2023 participation in the OECD/INFE surveys, enabling a deeper understanding of the country's financial literacy trends over time.

The findings indicate that financial knowledge among Maltese citizens adults varies significantly. The study assessed their understanding of fundamental financial concepts such as interest rates, inflation, and risk diversification. While some individuals demonstrated strong knowledge of these topics, a considerable segment of the population exhibited gaps in comprehension, suggesting that financial education initiatives could be further strengthened. Understanding these core financial concepts is essential, as they influence individuals' ability to make informed financial decisions. A lack of knowledge in these areas can lead to costly financial mistakes, such as taking on high-interest debt or failing to protect savings against inflation.

Financial behaviour, which encompasses practices like budgeting, saving, and borrowing, was also closely examined. The study found that while many Maltese adults engage in regular saving, a significant portion does not follow structured financial planning practices. For instance, a large number of individuals do not maintain a household budget, which may increase the risk of financial mismanagement, overspending, and difficulty in meeting long-term financial goals. On the other hand, the habit of saving regularly, even if not strategically planned, is a positive indicator of financial stability. However, financial literacy goes beyond merely saving; it also involves making informed investment choices, managing credit responsibly, and preparing for unexpected financial challenges.

In terms of financial attitudes, the study explored how individuals perceive and prioritize financial planning. The findings suggest that while some Maltese adults exhibit proactive financial management and long-term planning, others take a more passive approach, lacking concrete financial goals or strategies for the future. This divide in financial attitudes highlights the need for further awareness campaigns to encourage individuals to take greater control of their financial well-being. A mindset that values financial planning can lead to improved decision-making, better preparedness for emergencies, and a more secure financial future.

A key strength of the 2024 report is its comparative analysis of Malta's financial literacy between the 2018 and 2023 OECD/INFE surveys. This comparison reveals both progress and persistent challenges in financial literacy. On the positive side, the report indicates that there have been notable improvements in certain aspects of financial knowledge and behaviour, suggesting that existing financial education initiatives have had some impact. However, persistent gaps remain, particularly in areas such as budgeting, investment knowledge, and long-term financial planning. The report underscores that while some progress has been made, continued efforts are necessary to ensure that all individuals—regardless of age or socioeconomic status—have access to quality financial education.

Based on its findings, the report makes several recommendations to enhance financial literacy in Malta. First, it emphasizes the need for improved educational programmes tailored to different demographics, ensuring that financial concepts are taught in an accessible and practical manner. Schools, workplaces, and community organizations could play a vital role in delivering financial education that meets the needs of various age groups and income levels. Second, the report highlights the importance of encouraging structured budgeting habits among Maltese adults. Providing tools, workshops, and digital resources that simplify budgeting could help individuals take better control of their finances. Lastly, the report calls for greater support in promoting long-term financial planning, particularly in areas such as retirement savings and investment strategies.

In conclusion, the report finds that while progress has been made in increasing financial awareness and encouraging positive financial behaviours, ongoing efforts are crucial to ensure that all individuals are equipped with the necessary skills to make informed financial decisions. By implementing targeted educational programmes, promoting budgeting practices, and encouraging long-term financial planning, Malta can continue to enhance its financial literacy landscape and empower its citizens to achieve greater financial security.

In light of the report's findings and the Government's view of continual investment in financial literacy, between 2017 and 2019, the Government published a *Strategy for Retirement and Financial Capability*, which covered this period. The Office of the Permanent Secretary within the now-called Ministry for Social Policy and Children's Rights was assigned the responsibility for its implementation. The implementation programme was branded as *ĠEMMA*. The strategy established an inclusive programme based on two main branches: knowledge and information, and education, reinforced by seven key financial capability competencies—budgeting, debt management, savings management, financial resilience, future planning, investment awareness, and individuals' rights in this sector. The vision is for Maltese citizens to be encouraged to make the best financial decisions according to their personal circumstances.

The second strategy, covering the years 2022-2025, was published in January 2022 and built upon the achievements and lessons learned from the previous implementation. *ĠEMMA* sought to further advance its work in education, awareness, and training through an educational platform that had been expanded to other social media channels. Specifically, tables 50 and 51 provide an exhaustive list of activities conducted by *ĠEMMA* in 2023 and 2024, respectively.

Applicable dates	***Description of activities***
Summer 2023	Research was conducted on attitudes and behaviours toward retirement pensions through focus groups and surveys involving people of different age groups. This research provided valuable insights to further enhance efforts in this area. During the summer months, the *ĠEMMA* team visited 49 summer school centers, engaging around 2,500 children aged 8 to 14. The children learned about money management and sustainability concepts and participated in a competition related to these principles.
March 2023	Sessions on Spending, Pensions, and Retirement: A webinar on spending and money management was held in March 2023. A session was also conducted for ARMS Ltd employees in May, and additional webinars on retirement, pensions, and private pension plans were held in February and July.
April 2023	In collaboration with the HSBC Foundation, a quiz competition was organized, during which financial skills flashcards were also distributed to students in their seventh and eighth years of schooling. More than 100 students from St. Nicholas College participated in this quiz.
May 2023	*ĠEMMA* took part in the Public Administration Expo, sharing a stand with the Department of Social Security and distributing gifts to students who visited the expo. In the same month, *ĠEMMA* also participated in an information session at an employee event in Gozo.
June 2023	*Karus*, an app for parents and children, was launched. This was part of a project where third-year students from the University of Malta's Department of Artificial Intelligence collaborated with *ĠEMMA* to develop concepts for a financial skills app.

January - September 2023	ĠEMMA financial skills initiative operated within the Office of the Permanent Secretary at the Ministry for Social Policy and Children's Rights. During this period, several sessions were held for the elderly—24 sessions across six different localities (Paola, Valletta, Mellieħa, Siġġiewi, Marsascala, and St. Paul's Bay), reaching approximately 230 elderly participants.
October 2023	*ĠEMMA* financial capability program was placed under a dedicated section within the directorate, continuing its mission to educate and raise awareness among different sectors of Maltese society, from youths to the elderly. This work includes collaborations with both Maltese and international stakeholders. Through various tools such as webinars, apps, dedicated physical sessions, and other resources, *ĠEMMA* aims to reach citizens of all ages to educate them on all aspects of financial management, including the importance of early retirement planning and how to maximize retirement income.
October 2023	Two children's books in Maltese on the theme of money management were written: *Kejkijiet tal-Karrotti u Fwejjaħ tal-Ward* (for children aged 5-8) and *Kollox Barra Bebbux* (for children aged 9-11). These books were distributed across 57 libraries in Malta and Gozo, with further distributions planned for more schools and events, including those organized by the Positive Parenting Taskforce. At the book festival, *ĠEMMA* hosted a stand where the books were launched, reading sessions were held for children, and discussions on budgeting and money management were conducted. All proceeds from the book sales during the festival were donated to Puttinu Cares.
October 2023	In collaboration with the *Malta Tax and Customs Administration*, *HSBC Foundation*, and *Ernst and Young*, online training sessions were organized in October and November for small and medium enterprise (SME) owners, as well as individuals interested in self-employment. In October, *ĠEMMA* was invited to act as a facilitator to connect participants in community initiatives and projects in Malta with those of the *Money Advice and Budgeting Service* in Dublin.
January - December 2023	Research was also conducted by the OECD on financial literacy and financial inclusion in Malta. Malta's results from this research were published alongside those of other countries. The findings from this research, along with relevant recommendations, were presented at a conference in 2024.
January - December 2023	Several online information and education campaigns were conducted on financial topics, including money management. These campaigns were carried out through social media platforms like Facebook and FreeHour in the form of posts, quizzes, videos, podcasts, and webinars, as well as on the ĠEMMA portal. Additionally, various meetings, communications, reports, and a quarterly newsletter were published by ĠEMMA and sent to all subscribers.
January - December 2023	ĠEMMA participated in an international project funded by the European Union, called PEPPI (Project for the Provision of a European Platform for the Prevention of Over-indebtedness by the Increase of Accessibility and the Improvement of Effectiveness of Debt Advice). Apart from internal and member meetings, webinars on debt-related topics were held for Maltese partners, and invitations were disseminated for the public and interested partners to participate

	in international webinars related to this subject. The European Consumer Debt Network (ECDN) Annual Conference was held in Malta on March 23 and was opened by the Minister for Social Policy and Children's Rights. On November 30 and December 1, ĠEMMA participated in the PEPPI project's closing conference and workshop in Brussels, where a banner showcasing the work done was presented.
December 2023	An information campaign on holiday spending was conducted on Facebook. Additionally, the sale of *ĠEMMA*-published children's books at the Christmas fair, held in the courtyard of the Ministry, raised funds for Puttinu Cares.

Table 50: Description of activities conducted by ĠEMMA, 2023.

Date	**Activity Title**	**Approximate Audience Reached**
25 Jan 2024	Session with PSD Teachers	30
22 Feb 2024	Birzebbugia - 60+ Sessions	45
29 Feb 2024	Birzebbugia - 60+ Sessions	45
6 Mar 2024	OECD Research Launch Conference	120
7 Mar 2024	Birzebbugia - 60+ Sessions	45
14 Mar 2024	Birzebbugia - 60+ Sessions	45
22 Mar 2024	Luqa - 60+ Sessions	30
5 Apr 2024	Luqa - 60+ Sessions	30
12 Apr 2024	Luqa - 60+ Sessions	30
19 Apr 2024	Luqa - 60+ Sessions	30
14 May 2024	Gozo - Workshops	8
15 May 2024	Expo	Very well attended
16 May 2024	Expo	Very well attended
17 May 2024	Expo	Very well attended
18 May 2024	Expo	Very well attended
19 May 2024	Expo	Very well attended
21 May 2024	Gozo - Workshops	8
28 May 2024	Gozo - Workshops	8
31 May 2024	Qormi - 60+ Sessions	40
14 Jun 2024	Qormi - 60+ Sessions	40
28 Jun 2024	Qormi - 60+ Sessions	40
5 Jul 2024	Qormi - 60+ Sessions (Cards and Cashless payments)	40
10 Jul 2024	Sessions @ GO	40
15 Jul - 23 Aug 2024	147 sessions in various Skola Sajf Centres in Malta and Gozo	2940
24 Jul 2024	Sessions @ GO	40
4 Sep 2024	Sessions @ GO	40
11 Sep 2024	Sessions @ GO	10
12 Sep 2024	Valletta/Floriana Community - Social Benefits	16
19 Sep 2024	Valletta/Floriana Community - Scams and Frauds MFSA	16
3 Oct 2024	Valletta/Floriana Community - Money Management (GEMMA)	16
4 Oct 2024	Session at Zurrieq – Different Types of Cards and Cashless Payments	45

10 Oct 2024	Valletta/Floriana Community - Cards and Cashless Payments (MBA)	16
11 Oct 2024	Session at Zurrieq – Social Benefits	45
12 Oct 2024	Gozo Library - Reading Session (books/kids)	6
17 Oct - 5 Dec 2024	23 Sessions in Various Klabb 3 to 16 Centres	200
18 Oct 2024	Session at Zurrieq – Money Management	45
23 Oct 2024	Session at Pembroke – Social Benefits	30
30 Oct 2024	Online Session for Educators	12
1 Nov 2024	Session at Zurrieq – Scams and Frauds	45
6 Nov 2024	Session at Pembroke - Different Types of Cards and Cashless Payments	30
15 Nov 2024	St. Edwards	35
17 Nov 2024	Pjazza Pedonali	Discreetly Attended
19 Nov 2024	Online Session for Parents	8
20 Nov 2024	Session at Pembroke – Money Management	30
27 Nov 2024	Session at Pembroke – Scams and Frauds	30
27 Nov 2024	Session at Immaculate Conception - Financial Literacy	10
16 Dec 2024	St Joseph School Sliema - grade 7	50
16 Dec 2024	St Joseph School Sliema - grade 8	50

Table 51: Description of activities conducted by ĠEMMA, 2024.

Tax rebate and exemption impact – the importance of policies targeting low-income households

Ensuring financial security for retirees requires a comprehensive approach that goes beyond simply reducing taxation on pension income. While tax exemptions alleviate some financial burdens, they do not fully address the diverse challenges faced by pensioners, particularly those with lower incomes, rising healthcare costs, or limited retirement savings. A well-rounded pension policy must consider not only tax relief measures but also additional financial support mechanisms, incentives for workforce participation, and expanded access to essential services. The two reports on pension income tax highlight the need for supplementary benefits that provide more equitable and sustainable support for all pensioners.

While reducing taxation on pension income provides financial relief for retirees, the two reports on pension income tax highlight the need for additional benefits to ensure a more comprehensive approach to pensioner well-being and financial security. One key limitation of tax exemptions is that they primarily benefit higher-income pensioners, while those with lower pension earnings often fall below taxable thresholds and see little to no direct advantage. This verifies the additional financial support, such as cost-of-living adjustments, pension top-ups, or means-tested allowances, that the government has introduced and/or continually updated to assist those most in need. Rising inflation and the increasing costs of essential goods and services, particularly healthcare, housing, and utilities, disproportionately impact retirees on fixed incomes. Direct financial supplements, subsidized healthcare, or energy rebates can help pensioners cope with these rising costs more effectively than tax exemptions alone.

Moreover, tax reductions tend to favour pensioners with higher retirement savings or contributory pensions, potentially widening income disparities among retirees. To ensure a fairer distribution of benefits, it is essential to complement tax exemptions with non-tax-related measures that directly support lower-income pensioners. Additionally, while pension deferral incentives and tax reductions may encourage longer workforce participation, they may not be sufficient motivators on their own. Further incentives, such as increased pension accrual rates for those who defer retirement and employer contributions to voluntary pension schemes can enhance participation rates and improve retirement outcomes. Other pressing issues are the rising healthcare and long-term care costs associated with increasing life expectancy.

Furthermore, the reports suggest that private pension scheme participation remains low among working-age individuals, with most retirees relying heavily on state pensions. Providing matching contributions (i.e. government matches the employee's investment), tax incentives on pension savings, or employer-based pension schemes would encourage more individuals to invest in voluntary retirement savings, reducing future reliance on state pensions. Beyond financial support, retirees also benefit from initiatives that promote active aging, social participation, and overall well-being.

In sum, while tax exemptions reduce the financial burden on pensioners, they do not fully address the broader challenges retirees face, particularly those with lower incomes, higher healthcare costs, or limited retirement savings. Hence, a well-rounded policy should integrate targeted financial support, incentives for extended workforce participation, improved healthcare access, and measures that encourage private pension savings to create a more equitable and sustainable retirement system.

Harmonization and continuity in the definition and calculation of Malta's retirement standards of living

As previously demonstrated, current pensioner expenditure benchmarks rely on periodic studies, such as those conducted by CARITAS and the GWU, which do not always capture rapid fluctuations in prices or unexpected economic shifts. In reference to the CARITAS figures, one can identify the clear change in methodology between the basic basket compositions of both single and couple pensioners between the 2016/2020 versions and the 2024 versions. On the other hand, the same can be said when comparing the augmented baskets of both single and couple pensioner households between the 2016 and the 2020/2024 versions.

Thus, the exercise of utilising different starting points provides the quantitative evolution of the definition of expenditure CARITAS reports consider as the absolute minimum. Furthermore, combining CARITAS estimates with those of the GWU's estimates, one can state that the quantitative representation of GWU's definition of 'decent living' is placed somewhere between what CARITAS considers as the absolute minimum and the augmented basket of living.

Thus, a critical step toward achieving pension adequacy is the development of an annual cost of living assessment specifically tailored to single and couple pensioner households. This assessment should be regularly updated to reflect the real cost of essential goods and services, including food, healthcare, utilities, housing, and social participation. By implementing an

annual estimation, policymakers can gain a more accurate and timely understanding of the financial needs of pensioners.

This process should involve data collection from multiple sources, including government statistics, retail price indices, pensioner focus groups, and consumer expenditure surveys. Additionally, differentiating between basic and augmented living costs will provide a clearer picture of varying pensioner needs, ranging from essential survival costs to a more comprehensive measure of financial security that includes discretionary spending such as leisure activities and home maintenance. This will allow for targeted policy adjustments that better reflect pensioners' financial realities, ensuring that benefits remain aligned with living costs.

Lastly and combined with the enhancing and retention of an adequate standard of living, as pointed out by the supplementary assessing pensioner and near-pensioner incomes, there is a need to potentially streamline different benefits into a basic, guaranteed income for the more vulnerable households such as the identified older households having low incomes whilst having no assets to fall back upon. A category of particular interest in this regard is elderly households that do not own their residence (in addition to having low levels of financial assets). Such streamlined benefits can also be paid at more frequent intervals, providing beneficiaries with steadier streams of income.

The Guaranteed National Minimum (Pension) Level (GNML) over the years

The 2015 Pension Strategy Group Report highlights the introduction and implementation of the Guaranteed National Minimum Pension as part of the 2007 pension reform. The GNMP was legally defined under Section 50A of the Social Security Act as a pension set at a minimum of 60% of the National Median Income, with annual increases ensuring it is never lower than the previous year's value. However, at the time of the amendment, as there was no formal benchmark for determining the National Median Income, and the process for updating the GNMP remained at the ministerial discretion, creating uncertainty and the risk of its relative value deteriorating over time.

To address these concerns, the Strategy Group proposed several key recommendations. The Guaranteed National Minimum Pension (GNMP) was implemented gradually rather than all at once, starting on 1 January 2016 with individuals born in 1941 or earlier. The eligibility age would then decrease each year until those born in 1960 and 1961 qualified in 2026, while pensioners born in 1962 or later would automatically qualify from 2027 onward. A sudden, full-scale implementation for all older pensioners was deemed financially unsustainable, making a phased approach the more viable option. The GNMP was recommended to be initially set at the 2016 poverty threshold, with its value would increase annually by at least the full Cost of Living Adjustment (COLA) and be further adjusted through an indexation mechanism based on 50% wage growth and 50% inflation, ensuring that the GNMP remains relevant to economic conditions.

The Government accepted the principle set out in this recommendation via a different method of implementation. In the 2016 Budget, the Guaranteed National Minimum Pension was raised to €140 per week for both single and married persons (equivalent to €7,280 annually, slightly

above the At-Risk-of-Poverty threshold for a single person at the time). Further increases were introduced in subsequent years. Meanwhile, the National Minimum Pension (NMP) was increased to €141.82 per week for married persons and €130.30 per week for single persons.

In parallel, pension adequacy continued to be reinforced through the annual Cost-of-Living Adjustment (COLA) mechanism. This is applied in two components: two-thirds are incorporated directly into weekly pension rates, while the remaining portion is accumulated as a yearly Cost-of-Living Bonus (CLBO). Over time, however, a disparity emerged, as individuals who retired in 2008 or earlier received the highest CLBO rates, whereas those retiring in subsequent years received lower amounts.

For instance, in 2021, pensioners who retired in 2008 received a CLBO of €13.38, while those who retired in 2021 received €0.58. To correct this imbalance, a new mechanism was introduced in 2022 to progressively align CLBO rates across all pensioners. As outlined in Tables 52–53, this process is being implemented through annual adjustments granting proportionally higher increases to those with lower CLBO rates, ensuring full parity by 2027.

CLBO Rate, All	2008	2009	2010	2011	2012	2013	2014	2015
	€	€	€	€	€	€	€	€
COLA	**3.49**	**4.08**	**5.82**	**1.16**	**4.66**	**4.08**	**3.49**	**0.58**
Cum from 2008	1.17	2.53	4.47	4.86	6.41	7.77	8.93	9.12
Cum from 2009	0.00	1.36	3.30	3.69	5.24	6.60	7.76	7.95
Cum from 2010	0.00	0.00	1.94	2.33	3.88	5.24	6.40	6.59
Cum from 2011	0.00	0.00	0.00	0.39	1.94	3.30	4.46	4.65
Cum from 2012	0.00	0.00	0.00	0.00	1.55	2.91	4.07	4.26
Cum from 2013	0.00	0.00	0.00	0.00	0.00	1.36	2.52	2.71
Cum from 2014	0.00	0.00	0.00	0.00	0.00	0.00	1.16	1.35
Cum from 2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.19
Cum from 2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note: Cum refers to cumulative amount.

CLBO Rate, All	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	€	€	€	€	€	€	€	€	€	€
COLA	**1.75**	**1.75**	**1.75**	**2.33**	**3.49**	**1.75**	**1.75**	**9.90**	**12.81**	**0**
Cum from 2008	9.70	10.28	10.86	11.64	12.80	13.38	13.96	17.26	21.53	21.53
Cum from 2009	8.53	9.11	9.69	10.47	11.63	12.21	12.97	16.37	20.71	20.98
Cum from 2010	7.17	7.75	8.33	9.11	10.27	10.85	11.81	15.26	19.69	20.30
Cum from 2011	5.23	5.81	6.39	7.17	8.33	8.91	10.16	13.66	18.22	19.32
Cum from 2012	4.84	5.42	6.00	6.78	7.94	8.52	9.83	13.38	17.96	19.15
Cum from 2013	3.29	3.87	4.45	5.23	6.39	6.97	8.51	12.11	16.80	18.38
Cum from 2014	1.93	2.51	3.09	3.87	5.03	5.61	7.36	11.01	15.78	17.70
Cum from 2015	0.77	1.35	1.93	2.71	3.87	4.45	6.37	10.07	14.92	17.12
Cum from 2016	0.58	1.16	1.74	2.52	3.68	4.26	6.21	9.96	14.81	17.05
Cum from 2017	0.00	0.58	1.16	1.94	3.10	3.68	5.72	9.52	14.41	16.78
Cum from 2018	0.00	0.00	0.58	1.36	2.52	3.10	5.23	9.13	14.05	16.54
Cum from 2019	0.00	0.00	0.00	0.78	1.94	2.52	4.73	8.73	13.68	16.30
Cum from 2020	0.00	0.00	0.00	0.00	1.16	1.74	4.07	8.17	13.17	15.96
Cum from 2021	0.00	0.00	0.00	0.00	0.00	0.58	3.08	7.88	13.17	15.96
Cum from 2022	0.00	0.00	0.00	0.00	0.00	0.00	3.08	7.88	13.17	15.96
Cum from 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.88	13.17	15.96
Cum from 2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.17	15.96
2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.96

Note: Cum refers to cumulative amount.

Table 52: Cost-of-Living Bonus single rates by year of retirement.

CLBO Rate, NMP	**2008**	**2009**	**2010**	**2011**	**2012**	**2013**	**2014**	**2015**
married rate	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
COLA	**3.49**	**4.08**	**5.82**	**1.16**	**4.66**	**4.08**	**3.49**	**0.58**
Cum from 2008	0.70	1.52	2.68	2.91	3.84	4.66	5.36	5.48
Cum from 2009	0.00	0.82	1.98	2.21	3.14	3.96	4.66	4.78
Cum from 2010	0.00	0.00	1.16	1.39	2.32	3.14	3.84	3.96
Cum from 2011	0.00	0.00	0.00	0.23	1.16	1.98	2.68	2.80
Cum from 2012	0.00	0.00	0.00	0.00	0.93	1.75	2.45	2.57
Cum from 2013	0.00	0.00	0.00	0.00	0.00	0.82	1.52	1.64
Cum from 2014	0.00	0.00	0.00	0.00	0.00	0.00	0.70	0.82
Cum from 2015	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.12
Cum from 2016	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2017	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2018	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2019	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2020	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2021	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2022	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Cum from 2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00

Note: Cum refers to cumulative amount.

CLBO Rate, NMP	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
married rate	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**	**€**
COLA	**1.75**	**1.75**	**1.75**	**2.33**	**3.49**	**1.75**	**1.75**	**9.90**	**12.81**	**0**
Cum from 2008	5.83	6.18	6.76	7.54	8.70	9.28	9.86	13.16	17.43	17.43
Cum from 2009	5.13	5.48	6.06	6.84	8.00	8.58	9.34	12.74	17.08	17.35
Cum from 2010	4.31	4.66	5.24	6.02	7.18	7.76	8.72	12.17	16.60	17.21
Cum from 2011	3.15	3.50	4.08	4.86	6.02	6.60	7.85	11.35	15.91	17.10
Cum from 2012	2.92	3.27	3.85	4.63	5.79	6.37	7.68	11.23	15.81	17.00
Cum from 2013	1.99	2.34	2.92	3.70	4.86	5.44	6.98	10.58	15.27	16.85
Cum from 2014	1.17	1.52	2.10	2.88	4.04	4.62	6.37	10.02	14.79	16.71
Cum from 2015	0.47	0.82	1.40	2.18	3.34	3.92	5.84	9.54	14.39	16.59
Cum from 2016	0.35	0.70	1.28	2.06	3.22	3.80	5.75	9.50	14.35	16.59
Cum from 2017	0.00	0.35	0.93	1.71	2.87	3.45	5.49	9.29	14.18	16.55
Cum from 2018	0.00	0.00	0.58	1.36	2.52	3.10	5.23	9.13	14.05	16.54
Cum from 2019	0.00	0.00	0.00	0.78	1.94	2.52	4.73	8.73	13.68	16.30
Cum from 2020	0.00	0.00	0.00	0.00	1.16	1.74	4.07	8.17	13.17	15.96
Cum from 2021	0.00	0.00	0.00	0.00	0.00	0.58	3.08	7.88	13.17	15.96
Cum from 2022	0.00	0.00	0.00	0.00	0.00	0.00	3.08	7.88	13.17	15.96
Cum from 2023	0.00	0.00	0.00	0.00	0.00	0.00	0.00	7.88	13.17	15.96
Cum from 2024	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	13.17	15.96
2025	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	15.96

Note: Cum refers to cumulative amount.

Table 53: Cost-of-Living Bonus married rates by year of retirement.

Going one step backwards and refocusing on the primary element of the key objectives, in 2016, the GNML was interlinked to the latest at-risk-poverty threshold at the time (i.e., the ARP as per the SILC 2014 – standing at approximately unrevised rate of €7,256 per annum. The adopted approach ensures that the quoted GNML rates include the cost-of-living bonus within the rate. In other words, whilst the weekly NM(R)P rate in 2016 stood at €130.31 and the CLBO for 2008 pensioners stood at €9.70, the applied GNML rate was equal to their summation, i.e. €140 per week (or €7,280 annually). For ease of reference, table 52 provides the GNML (single and married), NM(R)P (single and married), AROP (single and married), the respective differences between corresponding rates. As one can denote, during the 2008 and 2025 period, the NMRP for single pensioners rose from €102.79 to €118.70 per week, while for married pensioners it increased from €118.94 to €138.33. For single pensioners, the NMRP increased from €130.31 per week in 2016 to €180.97 in 2025, representing a 76% rise over the seventeen-year period. For married pensioners, the NM(R)P grew from €141.84 to €196.73, a 65% increase. On the other hand, the GNML rose to €202.50 and €206.50 respectively by 2025, representing growth of roughly 45–47%.

A comparison of these benchmarks with the ARP levels shows that while progress has been steady, difference between benchmark thresholds and poverty thresholds still persist. For single pensioners, the ARP increased from €147.79 per week in 2016 to €218.54 in 2025, while for married pensioners it rose from €221.67 to €327.81, both growing by approximately 48%. In 2025, the NMRP equated to about 83% of the ARP for singles and 60% for married couples, while the GNML reached roughly 93% of the ARP for singles and only 63% for married couples. In sum, this indicates that policy reforms and consistent nominal increases have helped narrow the gap for single pensioners while married pensioners remain below it. This comparison does not include other policy interventions through income tested-measures that further contribute to improve pension adequacy.

	NM(R)P, Single	***NM(R)P, Married***	***GNML, Single***	***GNML, Married***	***ARP, Single***	***ARP, Married***
	€	**€**	**€**	**€**	**€**	**€**
2008	102.79	118.94	N.A.	N.A.	N.A.	N.A.
2009	105.51	122.21	N.A.	N.A.	N.A.	N.A.
2010	109.39	126.86	N.A.	N.A.	N.A.	N.A.
2011	110.16	127.79	N.A.	N.A.	N.A.	N.A.
2012	113.27	131.51	N.A.	N.A.	N.A.	N.A.
2013	115.99	134.78	N.A.	N.A.	N.A.	N.A.
2014	118.32	137.57	N.A.	N.A.	N.A.	N.A.
2015	118.70	138.33	N.A.	N.A.	N.A.	N.A.
2016	130.31	141.84	140.00	140.00	147.79	221.67
2017	131.48	147.24	141.75	141.75	156.37	234.54
2018	134.65	150.47	145.50	149.50	157.12	235.69
2019	138.37	154.13	150.00	154.00	167.56	251.35
2020	144.21	159.97	157.00	161.00	170.54	255.83
2021	148.62	164.38	162.00	166.00	177.15	265.75
2022	153.04	168.80	167.00	171.00	187.38	281.08
2023	162.24	178.00	179.50	183.50	196.58	294.87
2024	172.97	188.73	194.50	198.50	209.48	314.23
2025	180.97	196.73	202.50	206.50	218.54	327.81

Table 54: NM(R)P, GNML and AROP single and married rates for the years 2008-2025.

In reference to the increasing shortfall, previous Strategy Groups discussed the potential of fully linking the GNML to the AROP threshold (t-2). However, given the potential scenario where the AROP value could increase at a faster rate than the applicable MPI - potentially resulting in a flatted pension income distribution - the Government decided to only periodically assess the GNML in comparison to the ARP, as opposed to creating a direct link.

Going forward, despite the fact that there are different GNML values for different contribution averages, the logic of the need to update the GNML is the same throughout the entire distribution of values. Thus, as was the original aim, the focus will be on the pensioners with an annual average contribution density equal to or greater than 50 weeks. Tables 55 and 56 compare the NM(R)P single rate including the CLBO against the applicable Guaranteed National Minimum Pension on the basis of when the individual retires; given differences in applied CLBO and NM(R)P rates, the process is repeated for married rates.

Prior to discussing the need to uprate GNML rates, it is important to note that the GNML is paid regardless of the CLBO amount. In other words, if a pensioner has a lower rate of CLBO, the pension rate is topped up in such a way that the combined value of the CLBO and topped-up pension rate is equal to the corresponding GNML rate. Although, as observed in the table (55) below, if the summation of the CLBO and NM(R)P rate is higher than the GNML, the pensioner will receive the combined rate. Simply put, and as will be observed below, the GNML, for some cases, has been consistently lower than the aforementioned combined rates of pensioners on minimum pensions.

NM(R)P, Single Rate	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
	€	€	€	€	€	€	€	€	€	€
COLA	1.75	1.75	1.75	2.33	3.49	1.75	1.75	9.90	12.81	
Applicable GNML	140.0	141.8	145.5	150.0	157.0	162.0	167.0	179.5	194.5	202.5
Cum from 2008	140.0	141.8	145.5	150.0	157.0	162.0	167.0	179.5	194.5	202.5
Cum from 2009	138.8	140.6	144.3	148.8	155.8	160.8	166.0	178.6	193.7	202.0
Cum from 2010	137.5	139.2	143.0	147.5	154.5	159.5	164.9	177.5	192.7	201.3
Cum from 2011	135.5	137.3	141.0	145.5	152.5	157.5	163.2	175.9	191.2	200.3
Cum from 2012	135.2	136.9	140.6	145.2	152.1	157.1	162.9	175.6	190.9	200.1
Cum from 2013	133.6	135.3	139.1	143.6	150.6	155.6	161.6	174.4	189.8	199.4
Cum from 2014	132.2	134.0	137.7	142.2	149.2	154.2	160.4	173.3	188.8	198.7
Cum from 2015	131.1	132.8	136.6	141.1	148.1	153.1	159.4	172.3	187.9	198.1
Cum from 2016	130.9	132.6	136.4	140.9	147.9	152.9	159.3	172.2	187.8	198.0
Cum from 2017		132.1	135.8	140.3	147.3	152.3	158.8	171.8	187.4	197.8
Cum from 2018			135.2	139.7	146.7	151.7	158.3	171.4	187.0	197.5
Cum from 2019				139.2	146.1	151.1	157.8	171.0	186.7	197.3
Cum from 2020					145.4	150.4	157.1	170.4	186.1	196.9
Cum from 2021						149.2	156.1	170.1	186.1	196.9
Cum from 2022							156.1	170.1	186.1	196.9
Cum from 2023								170.1	186.1	196.9
Cum from 2024									186.1	196.9
Cum from 2025										196.9

Table 55: GNML rates compared against the combined values of the NM(R)P and CLBO rates, for single individuals/pensioners which retired 2008 and onwards, for the years 2016-2025.

Hence, one can note that the GNML strictly benefits individuals who are single and retired after 2008. Taking the case example of a retired individual in 2025, the combined value of the CLBO and NM(R)P is equal to a weekly rate of €196.90. As the figure is lower than that of the GNML, the individual will be benefitting from the higher value (i.e. the GNML weekly rate of €202.50). On the other hand, individuals who retired during or before 2008 do not benefit from the GNML rate, as the resulting values are equivalent to each other. On the other hand, in

reference to table 56, irrespective of retirement year, GNML married rates have consistently been lower than the corresponding combined values of the NM(R)P and CLBO married rates.

NMP, Married rate	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**	**2024**	**2025**
	€	€	€	€	€	€	€	€	€	€
COLA	**1.75**	**1.75**	**1.75**	**2.33**	**3.49**	**1.75**	**1.75**	**9.90**	**12.81**	**0**
Applicable GNML	**140.00**	**141.75**	**149.50**	**154.00**	**161.00**	**166.00**	**171.00**	**183.50**	**198.50**	**206.5**
Cum from 2008	**147.67**	**153.42**	**157.23**	**161.67**	**168.67**	**173.66**	**178.66**	**191.16**	**206.16**	**214.16**
Cum from 2009	**146.97**	**152.72**	**156.53**	**160.97**	**167.97**	**172.96**	**178.14**	**190.74**	**205.81**	**214.08**
Cum from 2010	**146.15**	**151.90**	**155.71**	**160.15**	**167.15**	**172.14**	**177.52**	**190.17**	**205.33**	**213.94**
Cum from 2011	**144.99**	**150.74**	**154.55**	**158.99**	**165.99**	**170.98**	**176.65**	**189.35**	**204.64**	**213.83**
Cum from 2012	**144.76**	**150.51**	**154.32**	**158.76**	**165.76**	**170.75**	**176.48**	**189.23**	**204.54**	**213.73**
Cum from 2013	**143.83**	**149.58**	**153.39**	**157.83**	**164.83**	**169.82**	**175.78**	**188.58**	**204.00**	**213.58**
Cum from 2014	**143.01**	**148.76**	**152.57**	**157.01**	**164.01**	**169.00**	**175.17**	**188.02**	**203.52**	**213.44**
Cum from 2015	**142.31**	**148.06**	**151.87**	**156.31**	**163.31**	**168.30**	**174.64**	**187.54**	**203.12**	**213.32**
Cum from 2016	**142.19**	**147.94**	**151.75**	**156.19**	**163.19**	**168.18**	**174.55**	**187.50**	**203.08**	**213.32**
Cum from 2017		**147.59**	**151.40**	**155.84**	**162.84**	**167.83**	**174.29**	**187.29**	**202.91**	**213.28**
Cum from 2018			**151.05**	**155.49**	**162.49**	**167.48**	**174.03**	**187.13**	**202.78**	**213.27**
Cum from 2019				**154.91**	**161.91**	**166.90**	**173.53**	**186.73**	**202.41**	**213.03**
Cum from 2020					**161.13**	**166.12**	**172.87**	**186.17**	**201.90**	**212.69**
Cum from 2021						**164.96**	**171.88**	**185.88**	**201.90**	**212.69**
Cum from 2022							**171.88**	**185.88**	**201.90**	**212.69**
Cum from 2023								**185.88**	**201.90**	**212.69**
Cum from 2024									**201.90**	**212.69**
Cum from 2025										**212.69**

Table 56: GNML rates compared against the combined values of the NM(R)P and CLBO rates, for married individuals/pensioners which retired 2008 and onwards, for the years 2016-2025.

Fertility policy – policies beyond fiscal assistance.

Internal studies conducted by MSPC explore the declining fertility rates in the country, emphasizing its strategic implications and policy challenges. It highlights that Malta's fertility rate dropped to 1.08 in 2022, the lowest in the EU. However, it critiques the reliance on Total Fertility Rate (TFR) as a primary indicator, arguing that this measure overstates the decline due to childbirth postponement. Instead, the report suggests that the cohort fertility rate provides a more accurate representation, showing a slightly higher figure closer to 1.6. The study explains that TFR underrepresents fertility trends because it offers only a cross-sectional snapshot of births within a given year. The tempo effect, where women delay childbirth but may still have children later, distorts the perception of fertility decline, making it appear more drastic than it actually is.

The report situates Malta's fertility decline within a socioeconomic and cultural context, arguing that the country is undergoing a Second Demographic Transition (SDT), albeit at a later stage than other EU nations. This transition reflects shifting values towards individualism, career aspirations, and lifestyle choices that deprioritize early or multiple childbirths. Economic constraints, particularly the rising cost of living, housing affordability challenges, and work-life balance issues, are significant deterrents to having children. By comparing Malta's fertility trends with those of other EU countries, the report underscores how other nations have successfully reversed fertility declines through targeted, family-friendly policies. Countries that have managed to stabilize their fertility rates have implemented measures that integrate female employment support, economic growth strategies, and gender-equal policies to ease the

burdens of parenthood. Similarly, Hungary provides tax exemptions for mothers depending on the number of children.

The report identifies several key factors as contributors to declining fertility in Malta. Housing market pressures, including the high cost of homeownership and rental limitations, make family formation financially challenging. The rising participation of women in the labour market, while positive for economic growth, is not supported by sufficient family-friendly policies, making it difficult for parents to balance work and childcare. Additionally, changing social norms and family ideals have resulted in a growing preference for smaller families, with many couples choosing to have only one child due to financial and lifestyle constraints. Gender disparities in household and childcare responsibilities further exacerbate the issue, as women continue to bear the greater share of unpaid domestic labour, discouraging larger family sizes.

The report draws lessons from successful policy interventions in other EU countries, demonstrating that higher fertility rates are often associated with generous parental leave policies, subsidized childcare, financial incentives, and employment flexibility. Examples from Sweden, France, Austria, and Estonia show how government support in these areas has encouraged family growth while maintaining economic stability. Sweden's parental leave system incentivizes shorter birth intervals through a "speed premium" approach, while France has expanded childcare subsidies and tax benefits to ease financial burdens on parents. Similarly, Austria and Estonia have introduced direct financial incentives for families with multiple children, making parenthood a more sustainable choice.

Based on these findings, the report recommends a series of policy measures to address Malta's low fertility rates. Expanding parental leave with better pay and flexibility, along with stronger childcare support, would ease the burden on working parents. Encouraging gender equality through policies that promote equal parental responsibility in childcare could also have a positive impact. Financial incentives, such as tax benefits for families with multiple children, would make child-rearing more economically viable.

Additionally, improving access to affordable housing would facilitate family formation, ensuring that young couples can start families without excessive financial strain. Lastly, public awareness campaigns could help counter negative perceptions of larger families and promote the benefits of having more than one child. The report ultimately emphasizes the importance of adopting a holistic policy approach that addresses both economic and cultural barriers to childbearing while learning from successful strategies implemented in other European countries.

In a similar vein, the report titled *"Perceptions and Attitudes of Women and Men in Malta towards Work-Life Balance: With a Specific Focus on Family Size"*, commissioned by the National Commission for the Promotion of Equality (NCPE), examines how work-life balance (WLB) issues influence the fertility intentions of Maltese individuals aged 18 to 39. Using a stratified random sample of 600 respondents surveyed via telephone, the study explores the challenges faced by both women and men in balancing work and family responsibilities, particularly in relation to family size decisions.

The findings reveal a significant gap between the ideal and actual family size, with women expressing a preference for two children and men averaging around 1.86, resulting in an overall mean of 1.93—higher than Malta's current Total Fertility Rate (TFR) of 1.08. Work-family

conflict emerged as a major barrier to achieving this ideal, disproportionately affecting mothers who often bear the greater burden of childcare responsibilities. Additionally, respondents expressed dissatisfaction with the current maternity, paternity, and parental leave policies, citing inadequate durations and compensation. There was strong advocacy for longer, well-paid parental leaves and the introduction of specific leave entitlements for parents when their children are ill.

The study highlights a growing demand for greater flexibility in work arrangements, both in terms of time and location, as well as improved financial support for families to encourage childbearing. To address these concerns, the report recommends a comprehensive review of work-family policies, including extending maternity and paternity leave, improving parental leave provisions, promoting flexible working arrangements, and introducing leave entitlements for parents of sick children.

Additionally, it suggests exploring the feasibility of shorter working weeks and ensuring equal access to family-friendly measures in both public and private sectors. The report emphasizes the need to challenge traditional gender norms by encouraging shared childcare responsibilities, addressing maternal gatekeeping, and fostering gender-sensitive education. Furthermore, it calls for enhanced childcare services, stronger financial and housing support for families, and improved national policies that promote both family well-being and fertility support. Simply put, the study underscores the necessity of a holistic, multi-level approach to addressing work-life balance challenges in Malta. It stresses the importance of policy reforms and cultural shifts to create a more supportive environment for families. By implementing these recommendations, Malta can work toward bridging the gap between desired and actual family size, fostering gender equality in caregiving responsibilities, and ultimately improving fertility rates.

To this end, the recently published 'Social Plan for the Family 2025–2030' places fertility as one of its four strategic priorities, recognising Malta's persistently low birth rate as a national concern. In its essence, the plan promotes a family-centred approach to improving fertility by addressing economic, social, and structural barriers that discourage childbearing. Key policy measures include enhancing work–life balance through flexible working arrangements, extended maternity and paternity leave, and incentives for family-friendly workplaces. It also calls for improved access to reproductive and fertility treatments, better housing affordability, and targeted financial and tax incentives for families with children. Ultimately, the strategy stresses that boosting fertility requires creating an environment where couples can realistically plan and raise families with security—integrating health, employment, education, and social policy to make parenthood more sustainable and inclusive.

The 2025 Baseline No Reform Model: Impact on Adequacy and Sustainability

The Baseline No-Reform Model (BNRM) was calibrated to reflect the latest EUROPOP demographic projections (EUROPOP 2022) and macro-economic assumptions (EPC Ageing Working Group 2024). In other words, the projected values are based on the assumptions of the 2024 Ageing Report, which utilises 2022 data as the base year, and 2070 as the end year of

the projection period. However, these projections are not directly comparable to those in the report, due to adjustments to the model. To illustrate the differences between the 2024 AWG baseline and the updated AWG baseline, a comparison of the revenue, expenditure and net pension positions under both baselines are covered. Simply put, the BNRM has been refined to incorporate recent updates to the PROST model's underlying parameters, including improvements in the pension distribution, updates to pension ceilings, and revised MPIs. Although, whilst demographic and macroeconomic assumptions remain unchanged from the BNRM, the adjustments to the 70-30 mechanism been aligned with actual data available since the 2024 Ageing Report.

Moving forward, as illustrated in the Figures 79 and 80 below, in the case of the 2024 AWG Baseline, the ratio of total revenue as a proportion of GDP is projected to decline over the projection period from 7.6% of GDP in 2022 to 7.2% of GDP by 2070. This contrasts with the projected trends for expenditure which is expected to decline from 6.2% to 5.2% in 2040 and then rise to 10.5% of GDP by 2070. This implies an increase of 3.8 p.p. throughout the entire projection period. Consequently, the system balance is projected to decline from a small positive balance (1.8%) in 2022 (taking into consideration the state contribution), to a deficit of 3.3% of GDP by 2070.

In the case of the updated AWG baseline, the projected end-values are slightly bleaker. Specifically, revenue is projected to decline to 7.0% of GDP, expenditure is expected to increase to 11.1% of GDP and hence a consequential net position of 4.1% of GDP by the end of the projection period.

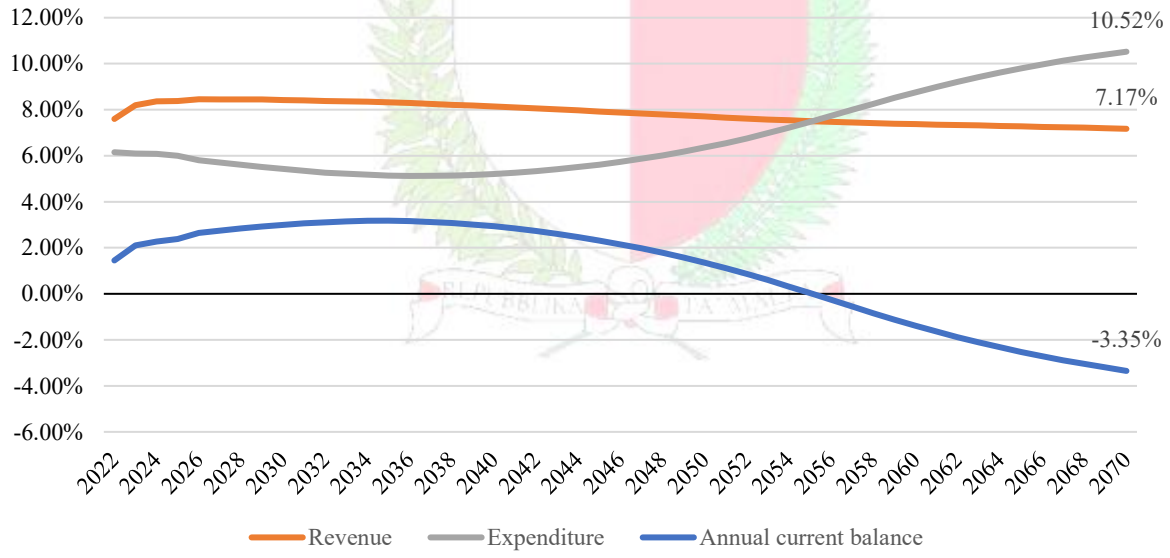


Figure 79: Projected pension expenditure, revenue and net position under the 2024 AWG Baseline.

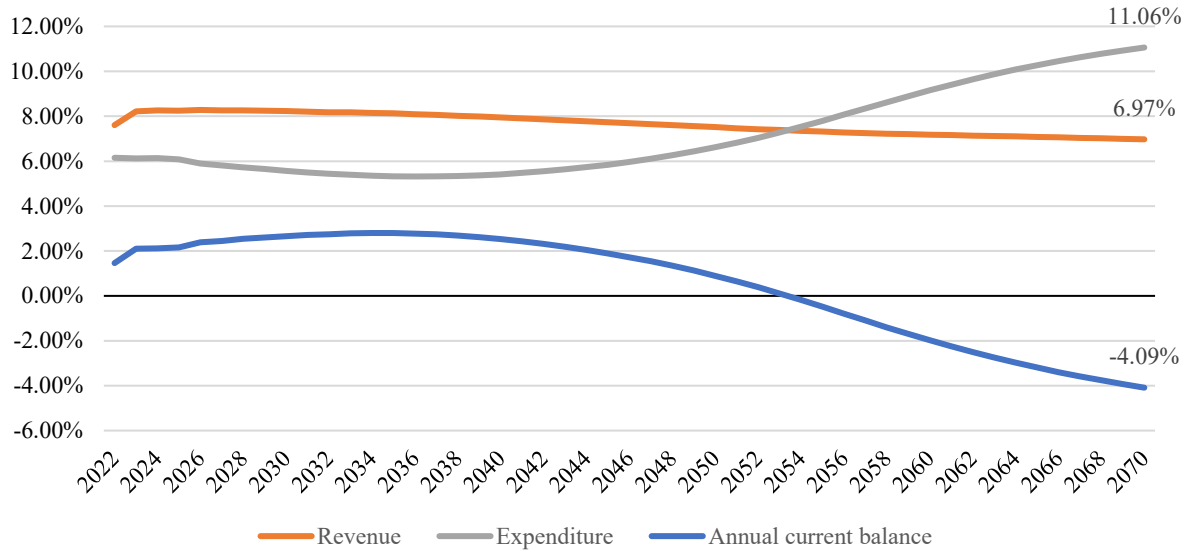


Figure 80: Projected pension expenditure, revenue and net position under the updated AWG Baseline.

Going forward, two additional important metrics to follow are the gross replacement rate (a ratio comparing the pension income at retirement to pre-retirement earnings) and the benefit ratio (i.e. the ratio which compares the average pension with the average wage). Under the 2024 AWG baseline scenario, the gross replacement rate is projected to decline from 51.8% to 49.6% by 2070, whilst the benefit ratio is expected to decline from 38.7% to 32%. Under the updated AWG baseline, the gross replacement rate is projected to decline from 51.8% to 48.2%, whilst the benefit ratio is expected to decline from 38.7% to 33.5% (refer to figures 81 and 82).

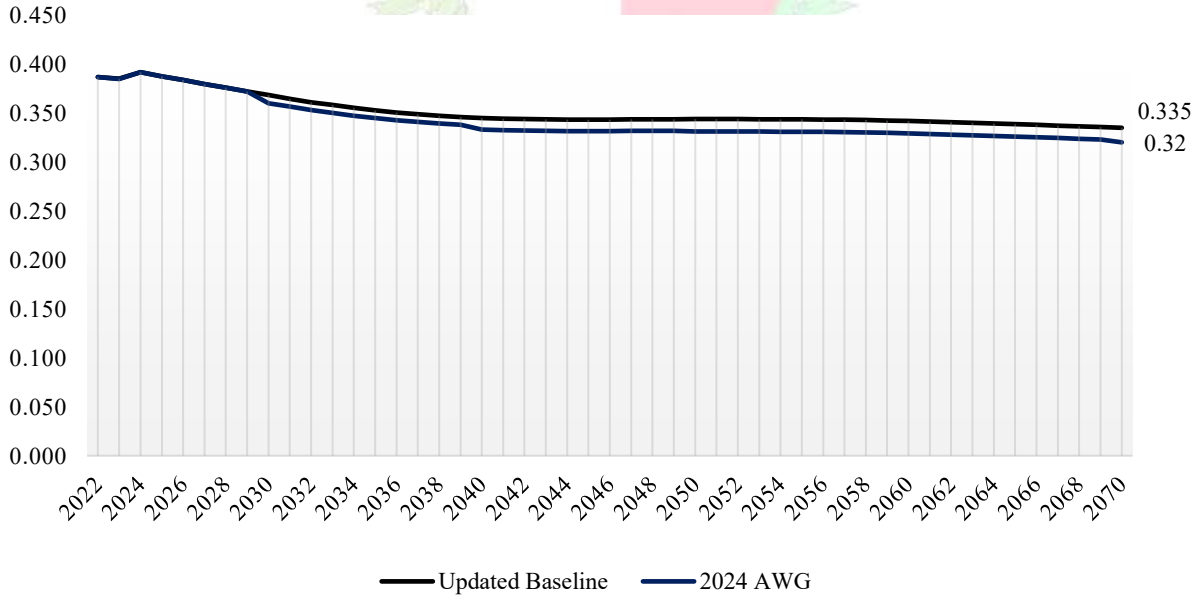


Figure 81: Projected gross replacement rate under the 2024 AWG and updated AWG Baselines.

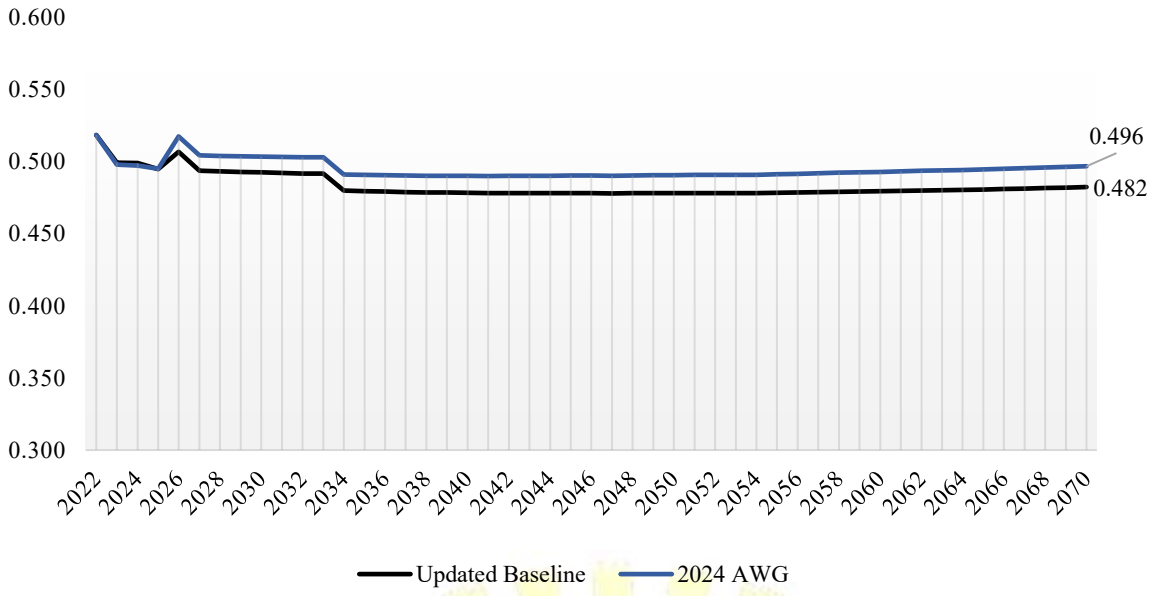


Figure 82: Projected benefit ratio under the 2024 AWG and updated AWG Baselines.

Sensitivity Analysis on the 2025-2070 No Reform Baseline Model Projections

Long-term projections, such as those related to pensions, should not be viewed as forecasts. A 50-year horizon is simply too long to assume that today's projections will unfold exactly as expected. Added to this, the COVID-19 pandemic and the limited capacity of monetary and fiscal policies to stimulate economic activity have created significant uncertainty, not only in the medium term, but even in the long term.

While the Strategy Group has substantial knowledge of worker and pension beneficiary behaviour over the next two decades, major uncertainties remain. These include factors such as productivity trends, unemployment levels, migration patterns, and the scale of related fiscal costs.

To address this, the Strategy Group conducted a sensitivity analysis of the main drivers of the pension system. This was done to better understand how projection outcomes depend on the assumptions used. In reference to table 57, several scenarios were therefore developed to simulate how the pension system might evolve under different behavioural assumptions concerning the key drivers that shape its performance.

Population related sensitivity scenarios

- **Higher life expectancy at birth (+2%)-** Mortality rates are adjusted so as to achieve an increase in life expectancy at birth of about two years by 2070 compared to the baseline.
- **Higher migration (+33%) -** Assumes a higher (33%) immigration than the baseline scenario. Shocks are applied to non-EU immigration flows.

- **Lower migration (-33%) -** Symmetric to the previous scenario, but this time assumes non-EU immigration to be 33% lower than the baseline scenario.
- **Lower fertility (-20%) -** Under this scenario, the fertility rate is assumed to be 20% lower compared to the baseline scenario over the entire projection horizon.

Labour force related sensitivity scenarios

- **Higher employment rate of older workers (+10 pps)** - This scenario illustrates the impact of a further career lengthening, beyond the baseline assumption, could have on the ageing costs projections. This scenario assumes the employment rate of older workers (aged 55 to 74) is 10 percentage points higher than the baseline.

Productivity related sensitivity scenarios

- **Higher productivity (TFP converges to 1%)** - In the baseline assumptions (provided by the European Commission), we have a convergence to a common TFP growth rate of 0.8%. In the higher productivity scenario, the TFP growth rate will converge to 1%.
- **Lower productivity (TFP converges to 0.6%)** - Symmetric to the previous scenario, however this time the TFP growth rate will converge to 0.6%

Policy related sensitivity scenarios

- **Linking retirement age to longevity** - This scenario considers the adoption of an automatic mechanism to update the statutory and early retirement ages in line with gains in life expectancy at the age of 65 according to the EUROPOP2023 projections. As a result, effective retirement ages shift up over time. To this end, the exit ages from the labour market as estimated by the Cohort Simulation Model are adjusted.
- **Policy scenario: constant retirement age** - This scenario assumes that the main eligibility requirements (early and statutory retirement age, career requirements) are unchanged over the projection horizon from current conditions. It allows for the isolation of the expected impact of already legislated but not yet applicable reforms.

Other sensitivity scenarios

- **Higher inflation scenario (2% by 2052**) - In this scenario, the inflation rate assumptions would follow the market-based approach used for the Commission's debt sustainability (DSA). According to this approach, inflation rates converge linearly from current country-specific values to market-based (euro area) inflation rates by T + 10. Beyond T+10, inflation rates converge by T+30 to 2% for euro area countries (including Malta).

	2022[48]	2025	2030	2040	2050	2060	2070
	Percentage point changes from baseline						
Constant Retirement Age							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.0	-0.4	-0.5	-0.5	-0.5	-0.6
Higher Inflation							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	-0.1	-0.2	-0.1	-0.1	0.0	0.0
Higher Life Expectancy							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Higher Migration							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Higher TFP							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.0	0.0	0.0	0.0	-0.1	-0.1
Lower Fertility							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.0	0.0	0.0	0.1	0.1	0.1

[48] Projected sensitivity scenarios are based on the assumptions of the 2024 Ageing Report, which uses 2022 as its base year and 2070 as the end year of the projection period.

Lower Migration							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	-0.2	-0.2	-0.1	-0.1	-0.1	-0.1
Lower TFP							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.0	0.0	0.1	0.1	0.1	0.1
Higher Employment Rate of Older Workers							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	0.0	0.1	0.0	0.0	0.0	0.0	0.0
Linking Retirement Age to Longevity							
Total Revenue	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total Expenditure	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Balance	0.0	0.0	0.0	0.0	0.0	0.0	0.0
ARR for OAP	-0.2	-0.4	0.0	1.1	2.1	3.6	5.6

Table 57: Sensitivity Analysis

The Guiding principles of Malta's Pension System

Expanding and redefining the principles of our pension system

In advancing further pension system reforms and building upon the progress made over the past decade, past Strategy Groups have identified five fundamental principles to guide its approach. These included:

i. The necessity of clearly defining the objectives of the pension system.

ii. Ensuring a pension system that is both adequate and sustainable, supported by a strong and active employment policy.

iii. Recognizing that while the State pension serves as a crucial foundation, it should not be the sole source of retirement income.

iv. Maintaining social sustainability by ensuring a fair balance between contributions and benefits across different generations.

v. Enabling the pension system to evolve over time, particularly in response to long-term economic, demographic, and social developments, to ensure its continued adequacy and sustainability.

Although, as pension systems continue to face demographic, economic, and social challenges, it is essential to expand and redefine the guiding principles that shape their structure and sustainability. Pension systems are designed with the fundamental objective of providing financial security and stability for individuals who can no longer rely on employment income due to age, disability, or the death of a primary wage earner. One of the primary goals is security against destitution, ensuring that retirees have access to a basic income that prevents poverty and enables a dignified standard of living. Additionally, pension systems facilitate consumption smoothing, allowing individuals to redistribute their earnings across different stages of life, particularly shifting income from productive working years to retirement. Another crucial aspect is longevity insurance, where pension schemes protect individuals from the risk of outliving their savings by offering structured payouts over an extended period. These objectives serve as the foundation for pension policies worldwide, helping to create reliable and stable retirement income systems that address both individual financial needs and broader societal welfare concerns.

The design of an effective pension system is guided by key principles that ensure its sustainability, fairness, and efficiency. Financial sustainability is paramount, requiring that pension systems balance contributions with long-term payouts to avoid deficits that could threaten their viability. Equally important is adequacy, ensuring that benefits provide retirees with enough income to support a reasonable standard of living while also preventing old-age poverty. Fairness and equity play a crucial role, as pension systems must distribute benefits justly across income groups and generations, preventing excessive disparities while maintaining incentives for contribution. Furthermore, an effective pension system should include work incentives, encouraging individuals to remain in the workforce for longer periods while ensuring that additional work translates into higher pension benefits.

Flexibility and adaptability are also essential, as pension models must respond to evolving demographic trends, economic shifts, and labour market transformations. Finally, risk diversification is a critical factor, achieved through a multi-pillar approach that integrates public pensions, occupational schemes, private savings, and informal support mechanisms, ensuring that pension systems remain resilient against economic uncertainties. By adhering to these principles, pension frameworks can provide stable, sustainable, and equitable retirement solutions that benefit both individuals and society as a whole.

The evaluation criteria for pension systems serve as essential benchmarks to assess their effectiveness, sustainability, and fairness in providing financial security for retirees. Among the primary criteria, adequacy is a fundamental measure, ensuring that pension benefits are sufficient to prevent old-age poverty and enable individuals to maintain a reasonable standard of living after retirement. A well-functioning system must provide a stable and predictable income that reflects both past earnings and future needs, minimizing the risk of financial insecurity. However, adequacy must be balanced with affordability, ensuring that pension

contributions remain manageable for both individuals and governments without creating undue financial burdens that could hinder economic growth or public finances.

Another critical criterion is sustainability, which refers to the system's ability to remain financially viable over the long term. Given increasing life expectancies and declining birth rates in many countries, pension systems face rising dependency ratios, meaning fewer active workers support a growing number of retirees. To address this challenge, sustainable systems incorporate measures such as automatic adjustment mechanisms that modify benefits, contributions, or retirement ages in response to demographic and economic changes. Equitability is also a key consideration, ensuring that the distribution of pension benefits is fair across different income groups and generations. A just system prevents excessive disparities by incorporating redistributive elements, such as minimum pensions for lower-income workers, while also ensuring that higher earners receive fair returns on their contributions.

Beyond financial factors, predictability plays a crucial role in fostering public trust and confidence in pension systems. Individuals need assurance that their retirement benefits are legally protected and not subject to arbitrary political or economic fluctuations. A predictable system includes clear rules for benefit calculation, contribution requirements, and indexing mechanisms that adjust payments in response to inflation and wage growth, ensuring that purchasing power is preserved. Similarly, robustness is essential to withstand external shocks, including economic crises, inflation, and political changes. A resilient pension system maintains stability even during periods of financial stress, protecting both current and future retirees from abrupt policy shifts or funding shortfalls.

In addition to these primary criteria, secondary evaluation factors consider how pension systems contribute to broader economic stability. A well-designed system should minimize labour market distortions, ensuring that pension rules do not discourage workforce participation or create disincentives for continued employment. It should also promote savings mobilization, encouraging individuals to supplement their pensions with personal savings or occupational pension schemes. Furthermore, pension systems can enhance financial market development by fostering investment in diversified assets, contributing to economic growth and stability. Given the interconnectedness of pension systems with national economies, policymakers must carefully balance these evaluation criteria to create systems that are financially sound, socially equitable, and adaptable to evolving demographic and economic landscapes.

As has been outlined, with increasing life expectancy, shifting labour market dynamics, and evolving retirement expectations, pension policies must be adaptable, inclusive, and forward-looking. While the five foundational principles provide a solid framework for reform, further refinements are necessary to address emerging trends, such as the growing need for private savings, intergenerational fairness, gender equity, and long-term economic sustainability.

Ensuring that pensions remain adequate, sustainable, and socially equitable requires a comprehensive approach that integrates active labour policies, diversified retirement income sources, and mechanisms to adjust benefits and contributions over time. By expanding and redefining these principles, the pension system can be strengthened to better serve future retirees, mitigate financial risks, and promote economic resilience in the face of ongoing societal transformations.

Social solidarity and collective financing (poverty alleviation).

The principle of social solidarity in pensions ensures that retirement systems provide support to all individuals, regardless of their earnings history or ability to contribute significantly. This concept is crucial in mitigating inequality, as it allows redistribution from higher earners to those with lower lifetime earnings, ensuring a minimum standard of living for all retirees. Social solidarity is particularly relevant for groups that may have interrupted work histories, such as caregivers or those in low-income jobs, as it guarantees that they receive adequate pension support despite not being able to contribute at the same level as others.

Collective financing is another essential pillar of pension systems, ensuring that retirement benefits are sustained through shared contributions from employers, employees, and sometimes government funds. This model, commonly seen in Pay-As-You-Go (PAYG) schemes, helps distribute financial risks across different generations, thereby maintaining intergenerational fairness. Unlike individually funded retirement accounts, collective financing provides a stable and predictable income stream for retirees, as contributions from current workers support pensioners, with the expectation that future workers will do the same for succeeding generations.

Poverty alleviation is a fundamental goal of pension systems, as these programs serve as a primary tool to prevent old-age poverty. Without pensions and other social transfers, the elderly poverty rate would be significantly higher. Data from various countries indicate that the at-risk-of-poverty rate among the elderly declines substantially when pension benefits are factored in, underscoring the role of public pensions in maintaining financial security for retirees. Ensuring that pensions are indexed to inflation and wage growth is critical to preserving their purchasing power and preventing retirees from falling into poverty over time. Additionally, targeted measures such as minimum pensions and supplementary allowances help protect the most vulnerable groups, including those with lower lifetime earnings or incomplete work histories.

Adequacy and predictability of benefits received in old age.

The adequacy and predictability of pension benefits are critical elements in ensuring financial security for retirees. Pension adequacy is achieved when retirement income provides a sufficient replacement for pre-retirement earnings, ensuring that retirees can maintain a decent standard of living. However, concerns remain regarding the sustainability of pension systems, particularly as life expectancy increases. In some cases, pension benefits are insufficient to cover retirees' essential needs, especially where pension schemes are not indexed to inflation or wage growth. This is particularly evident in certain countries where a significant portion of retirees struggle to meet basic living expenses due to the low-income replacement rates of their pension schemes.

Conjunctively, the element of predictability allows individuals to plan effectively for retirement. A stable and transparent pension system ensures that benefits are not subject to abrupt policy changes that could negatively impact retirees. For example, in cases whereby pension systems have introduced automatic adjustment mechanisms that align pension

eligibility ages with life expectancy, such systems ensure a more sustainable and predictable benefit structure. However, where pension benefits are linked to volatile financial markets or discretionary government decisions, retirees may face uncertainty regarding their future income levels.

Moreover, one needs to highlight the importance of a broad-based contributory pension system to ensure adequate income replacement. Countries with stronger pension frameworks typically combine contributory schemes with non-contributory social pensions to provide a minimum safety net for those who have not accumulated sufficient work-related pension rights. Hence, should the government be presented with the scenario that the implemented pension systems fail to provide adequate income, political leaders and policymakers alike may face social and political challenges, including increased reliance on social assistance programs and higher risks of old age poverty.

Ultimately, ensuring the adequacy and predictability of pension benefits requires a multi-faceted approach, including indexation mechanisms, contributory and non-contributory pension structures, and policy frameworks that adapt to demographic and economic changes. Without these measures, pension systems may fail to provide a stable and sufficient income for retirees, undermining their long-term financial well-being.

Fiscal and economic sustainability of the social protection system.

The fiscal and economic sustainability of pension systems is crucial to maintaining their long-term viability, particularly in the face of aging populations, rising expenditures, and economic uncertainties. Simply put, fiscal sustainability is determined by the balance between contributions and liabilities. When pension liabilities exceed accumulated assets, adjustments such as benefit reductions, contribution increases, government subsidies, or administrative cost reductions become necessary to ensure financial stability. In Pay-As-You-Go (PAYG) systems, where current contributions finance retirees' pensions, the challenge intensifies as the ratio of workers to retirees declines, requiring either higher tax burdens or lower benefits to maintain equilibrium.

Interlinked, the economic sustainability of pension systems is closely linked to a country's macroeconomic conditions, particularly long-term economic growth trends. A sustainable pension system must be able to finance future liabilities without hindering economic growth or diverting excessive resources from other priorities such as healthcare, education, and infrastructure. One key strategy to improve sustainability is to extend working lives, which can help increase the revenue base while reducing the time individuals spend receiving pensions. Encouraging private savings and higher coverage in occupational and voluntary pension schemes can also help mitigate financial strain by diversifying retirement income sources.

Furthermore, targeting public pension benefits more effectively by prioritizing those most in need can enhance social and financial sustainability. A well-structured system should ensure that pension benefits remain adequate yet fiscally responsible, avoiding excessive expenditures that may require higher taxes or deficit spending. Countries facing rapid demographic aging must carefully balance the objectives of retirement income adequacy and fiscal sustainability

by considering gradual parametric reforms such as adjusting retirement ages, contribution rates, and benefit indexation mechanisms.

Overall, sustaining pension systems requires a multi-pronged approach, including gradual policy adjustments, economic growth strategies, increased workforce participation, and strengthened private savings mechanisms. Without these measures, pension systems may become increasingly burdensome on public finances, leading to economic instability and reduced retirement security for future generations.

Gender equality and overall non-discrimination.

Ensuring gender equality and non-discrimination in pension systems is critical to providing fair and equitable retirement benefits for all individuals. Women, on average, receive lower pension benefits than men due to lower lifetime earnings, interrupted work histories, and higher participation in part-time or informal employment. Gender pay gaps, fewer years in the workforce due to caregiving responsibilities, and differences in contribution histories result in a significant disparity in retirement income.

One approach to addressing these inequalities is the recognition of caregiving roles within pension frameworks. In some countries, pension systems provide credits for child-rearing and eldercare, acknowledging that unpaid care work disproportionately affects women's earning potential. However, such provisions remain limited or inconsistently applied, leading to lower pension entitlements for many women. Additionally, survivor benefits, which are often relied upon by widowed women, tend to be insufficient in many pension systems, further contributing to the risk of old-age poverty among women.

Gender disparities in pension outcomes are also influenced by policy design choices. Historically, many countries had lower retirement ages for women, which, while intended to recognize caregiving responsibilities, often resulted in fewer contribution years and lower pension benefits. In response, an increasing number of countries have moved towards equalizing retirement ages for men and women to promote fairness and longer workforce participation.

Beyond gender, non-discrimination in pensions also involves addressing inequalities based on employment status, disability, and socioeconomic background. Many pension systems disproportionately benefit formal sector workers, leaving individuals in informal, part-time, or contract-based employment with lower or no pension entitlements. Policies aimed at expanding pension coverage to non-standard workers can help reduce these disparities and improve financial security in old age.

A comprehensive gender-sensitive approach to pension reform includes closing pay gaps, ensuring equal access to employer-sponsored pensions, increasing financial literacy among women, providing pension credits for unpaid care work and with it effort towards shared responsibilities in caring duties. Additionally, governments should ensure that pension policies are regularly reviewed and adjusted to address systemic inequalities and promote equitable retirement outcomes for all individuals. By integrating gender equality measures and broader

anti-discrimination policies, pension systems can better fulfil their role in providing fair, inclusive, and sustainable retirement security.

Inter-generational (across generations) and intra-generational (within generations) equality between benefits and contributions.

The intergenerational and intragenerational equity of pension systems plays a crucial role in ensuring fairness across different groups of beneficiaries and contributors. Intergenerational equity refers to the balance between contributions and benefits across different generations. Pension reforms often have varied impacts on different age cohorts, affecting workers, retirees, and future generations differently.

However, some pension systems, such as Italy's, show substantial intergenerational inequity due to long transition periods in past reforms, which have resulted in older retirees enjoying more generous pension benefits than younger generations. In such cases, workers born in the 1980s and beyond face lower pension benefits despite making comparable contributions, exacerbating inequalities between current and future retirees.

To address intergenerational disparities, pension clawbacks—where benefits of retirees who contributed less to the system are reduced through taxation—have been proposed. This mechanism aims to restore fairness between different cohorts but is often politically challenging to implement. Furthermore, delaying necessary pension reforms increases financial strain on younger and future generations, as later adjustments require more drastic measures, which can widen existing inequities.

Intragenerational equity refers to fairness in benefits and contributions within the same generation. Hence, it is vital to distinguish between horizontal equity, where individuals with similar lifetime earnings should receive similar pension benefits, and vertical equity, which acknowledges that lower-income workers require additional support to achieve adequate pension income. A well-designed pension system should ensure equitable access to benefits while avoiding excessive redistribution that could discourage workforce participation.

One key issue in intragenerational equity is coverage and benefit distribution. In some countries, only public sector employees and formal sector workers benefit from pension schemes, leaving informal and low-wage workers at a disadvantage differences also impact pension equity, as women tend to have shorter contribution histories due to caregiving responsibilities, leading to lower retirement benefits unless compensatory measures are introduced. Some pension systems address this through pension credits for child-rearing and caregiving, ensuring that individuals who take time off work for family responsibilities do not face extreme pension reductions

A further aspect of intragenerational fairness is how pension systems redistribute income within the same cohort. While some systems maintain actuarial fairness—where benefits are directly proportional to contributions—others incorporate progressive benefit formulas to support lower-income earners. For example, pension designs that provide minimum guarantees or higher replacement rates for lower earners help reduce old-age poverty, but may result in higher costs for middle- and high-income workers

The State pension should not be the only source of income during old age.

Relying solely on the state pension for retirement income can pose significant financial risks, making it essential to have multiple income sources in old age. Public pension systems, particularly PAYG schemes, depend on contributions from the current workforce, which can become unsustainable as populations age and the ratio of workers to retirees' declines. This demographic shift puts pressure on pension systems, increasing the likelihood of benefit reductions or delayed retirement ages. To mitigate these risks, many countries have adopted multi-pillar pension systems, incorporating mandatory private pensions and voluntary retirement savings to supplement state pensions.

Diversifying retirement income through private pensions, employer-sponsored pension plans, and personal savings provides a buffer against potential reductions in government-funded benefits. This approach follows the principle of risk diversification, ensuring that individuals are not solely dependent on one income source during retirement. A combination of public pensions, occupational pensions, and personal investments allows for greater financial stability and flexibility in old age. Private pensions and personal savings also help individuals maintain their standard of living, reducing the likelihood of financial hardship after retirement.

However, while private pension systems offer an additional layer of security, they are not without risks. Market fluctuations, regulatory changes, and economic downturns can affect the value of private savings and pension funds. Without proper financial planning, retirees may still face uncertainty regarding their final pension entitlements. To ensure long-term stability, strong regulatory oversight and financial education are necessary to help individuals make informed decisions about their retirement savings.

A balanced pension system should integrate multiple income streams, including state pensions, employer contributions, voluntary savings, and other financial assets. Via a life-cycle financial capability policy approach, the government should aim towards encouraging and equipping individuals to build personal retirement savings alongside public pensions; ultimately reducing old-age poverty, safeguards living standards, and enhancing financial independence in later years. A diversified approach to retirement planning ensures that individuals are better prepared for unexpected economic challenges and can enjoy greater financial security throughout their retirement.

Transparency and effective administration.

Ensuring transparency and effective administration in pension systems is essential for maintaining public trust and financial sustainability. A well-functioning pension system requires clear governance structures, robust regulatory oversight, and efficient management of pension funds. Key aspects of transparency involve accurate record-keeping, timely disclosure of financial data, and open communication with contributors and beneficiaries.

An effective pension administration should be capable of collecting contributions reliably, tracking individuals across different employment statuses, calculating and disbursing benefits accurately, and adapting the system to economic changes. Regular audits and financial

disclosures play a crucial role in maintaining confidence in pension systems, ensuring that funds are managed responsibly and free from political interference.

Pension governance also involves establishing clear regulations for both public and private pension providers. Governments must ensure that pension funds are invested prudently to generate sustainable returns while protecting contributors from undue risks. Poor governance, excessive administrative costs, and mismanagement can erode pension savings, leading to inefficiencies and reduced benefits for retirees.

Furthermore, digitalization and centralized record-keeping systems improve transparency by allowing pensioners to track their contributions and expected benefits. When individuals have access to clear, timely, and accurate pension information, they can make informed financial decisions about their retirement. Ultimately, transparent and effectively administered pension systems foster public confidence, financial sustainability, and equitable retirement outcomes, ensuring that contributors receive the benefits they are entitled to while maintaining long-term pension fund stability.

Continual involvement of social partners and consultations with relevant stakeholders.

The continual involvement of social partners and consultations with relevant stakeholders plays a crucial role in ensuring the effectiveness, sustainability, and acceptance of pension reforms. Engaging with trade unions, employer associations, financial institutions, and civil society helps create policies that are more balanced, equitable, and reflective of the needs of different groups.

A major aspect of successful pension reform is clear and constructive dialogue with stakeholders, as this encourages proactive participation and allows individuals to adapt their savings and work behaviours to changing circumstances. Given the complexity and long-term nature of pension systems, ongoing discussions between policymakers and stakeholders help in identifying potential gaps in pension adequacy, coverage, and financial sustainability. Special attention should be given to groups that bear the greatest impact of pension reforms, particularly lower-income workers and those participating in voluntary pension schemes. Employers and financial institutions, which play a key role in administering occupational pension schemes, must also be involved to ensure that proposed changes are feasible and effectively implemented.

Moreover, building public trust and confidence in pension reforms requires transparency in policy development and comprehensive communication strategies. Many individuals lack financial literacy regarding pension entitlements, making it essential for policymakers to implement education campaigns to inform workers about their rights, new pension options, and the long-term benefits of changes in pension structures. A well-governed consultation process not only improves the quality of pension reforms but also reduces the likelihood of political resistance or abrupt reversals in policy.

By ensuring regular engagement with social partners, governments can design pension policies that are both financially sustainable and socially inclusive. Encouraging cooperation between public authorities, private sector entities, and labour organizations fosters a pension system that

remains responsive to demographic, economic, and labour market changes, ultimately benefiting both current and future retirees.

Invitation for feedback during the consultation phase

In the light of the social and economic analysis presented in previous chapters, and as stated on page 12 of the report, the Group is inviting constituted bodies, civil society, and the general public to express their views and make suggestions and recommendations with respect to the presented fourteen (14) questions. Feedback should include how our pensions system can be further improved, by ensuring its adequacy and sustainability, while respecting the seven (7) principles, namely:

Principle 1: Social solidarity and collective financing (poverty alleviation).

Principle 2: Adequacy and predictability of benefits received in old age.

Principle 3: Gender equality and overall non-discrimination.

Principle 4: Inter-generational (across generations) and intra-generational (within generations) equality between benefits and contributions.

Principle 5: The State pension should not be the only source of income during old age.

Principle 6: Transparency and effective administration.

Principle 7: Continual involvement of social partners and consultations with relevant stakeholders.

The Group now kindly requests that you provide your feedback by **1700hrs of 3rd April 2026.**

Feedback is to be sent via:

Online: publicconsultation.gov.mt [49]

Post:

The Chairperson
Pension Strategic Review
C/O Office of the Permanent Secretary
Ministry for Social Policy and Children's Rights
Valletta

The Pensions Strategy Group will, during the consultation period, carry out discussion sessions with constituted bodies, civil society, and the general public. The Strategic Review will at the end of the consultation period assess the feedback received and present a final report to Government for its consideration.

The main considerations and recommendations that the Group will eventually present to Government shall exclude a mandatory increase of the statutory retirement age or of the social security contribution rate, as per the electoral mandate of the current administration.

[49] https://www.gov.mt/en/publicconsultation/Pages/default.aspx

Annex 1

Name of Measure	Description	2015 SR Recommendation?	Implemented and Year of implementation	Reference to Changes introduced in National Legislation	Additional remarks	Measures adopted (or materially changed) after the publication of the SR and the post-consultation feedback (YES/NO)	Quantitative and Qualitative Assessment of Proposed New Measure
Adequacy measures that have been implemented							
Across the board pension increase	In addition to the cost-of-living increases, pensioners are to be awarded an increase of €21.50 weekly over the period to 2027. This will raise annual pension spending by approximately €110 million by 2027. Pensioners may also benefit from other improvements in social security provision, including from an additional cost-of-living adjustment for those on low incomes.	Yes and an ongoing commitment	2022, Ongoing	Twelfth Schedule of the SSA Act	None.	Yes, specficially: Budget 2022: €6.50 Budget 2023: €9.90 Budget 2024: €15	Up to 103,000 persons in receipt of retirement, widows, invalidity and non-contributory age pensions will benefit from this measure.
Increase in tax exemption cap for pensioners	Partly related to the preceding measure, and to maintain a principle introduced in previous budgets, the maximum pension income exempt from tax is to be raised so as pension increases would not be taxable up to equivalent of maximum pension plus bonuses. For pensioned married couples the applicable exemption is to be higher. This measure benefits all pensioners whose pension income exceeds the non-taxable threshold – and leads to tax savings of up to €744 for benefitting pensioners (in 2021 tax year).	No.	2022, Ongoing	CFR, Income Tax Act, SL 123.174	None.	Yes.	In Malta income tax thresholds and brackets are not adjusted regularly with inflation. This means that even if pensions are increased just to retain their real value, pensioners could end up paying tax on pensions. Thus in order to ensure that the state pension remains exempt from tax, Government on an annual basis is increasing the tax exemption cap on pensions in line with the annual increase in pensions. For many pensioners this implies a saving of 15% on their pension increases (as this is the typical tax rate that they would face). A pensioner taxed with the single computation rates gets a maximum saving of €927, and someone on the married rate saves up to €880. For those earning between €15,000 to €18,600, this measure improves their income by between 5% and 6%. The changes reflected were those relating to the exemption and the pension rebate. As an estimate, there was 19,798 pensioners who benefited from a reduction in pension tax as a result of this measure. Using the same criteria from 2023 to 2024, it is estimated that 11,806 pensioners will benefit from this measure.
Higher social security pension for service pensioners	Public service pensioners are entitled to a service pension, besides the contributory pension, with the latter being reduced considering the former. However, the contributory pension is to be yearly adjusted through an annual waiver in the re-assessment of their social security pension. The annual waiver has been adjusted up to 2022.	Yes, Recommendation 27	2022, Ongoing	SSA Act, Service Pension definition	None.	Yes, specifically: Budget 2021 Budget 2022 Budget 2023 Budget 2024	The adjustment is expected to benefit up to 8,500 service pensioners.
Higher rates of Supplementary Assistance	The benefit and how it is awarded is being enhanced.	No.	2021, 2022, Ongoing	Fourteenth Schedule of the SSA Act	None.	Yes, specifically: Budget 2021 Budget 2022	The upward adjustment is expected to benefit approximately 22,000 beneficiaries, with the majority being pensioners with income in 2021 below €14,058 (couples) or €9,961 (singles).
Recognition of social security contributions paid by persons who early in their life dropped out of employment	Social security contributions paid by persons before the age of 19 are not considered in the assessment for a contributory retirement pension. As a result, claimants, mostly women, fall short of the minimum contribution average required to qualify for a pension. Through this measure contributions paid before 19 years of age are taken into account and if the required minimum is reached, the claimant becomes eligible to a minimum pension.	Yes, Recommendation 3	2021, 2022, Ongoing	Eleventh Schedule of the SSA Act	None.	Yes, specifically: Budget 2021 Budget 2022	The proposed measure will be of benefit to, circa 2000 persons beyond pensionable age, with the highest share of recipient population being women.

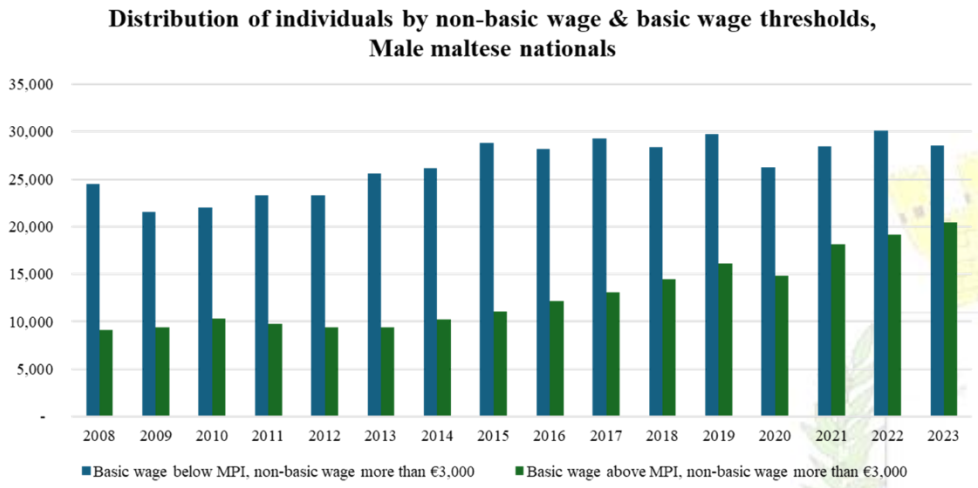
Name of Measure	Description	2015 SR Recommendation?	Implemented and Year of implementation	Reference to Changes introduced in National Legislation	Additional remarks	Measures adopted (or materially changed) after the publication of the Strategic Review and the post-consultation feedback (YES/NO)	Quantitative and Qualitative Assessment of Proposed New Measure
Increase in the Deficient Contributory Bonus	The annual bonus payable to persons with insufficient amounts of contributions to qualify for a pension, to be increased by €450 per annum. A further increase was announced for the 2024 budget and now this bonus will be increased by another €50. The bonus for those who have paid from one to four years of stamps will rise from €450 to €500 while the bonus of those who have paid from five to nine years of stamps will rise from €550 to €600 in the year.	No.	2021, 2022 and 2024	Article 85, SSA	None.	Yes, specifically: Budget 2021 Budget 2022 Budget 2024	Up to 14,000 beneficiaries beyond pension age will benefit from the initial increase; augmenting to 16,000 beneficiaries with the subsequently mentioned increase.
Equivalence in Survivors' Pension	At present widows who do not have their own pension entitlement are awarded 5/6ths of the pension of their deceased spouse. A mechanism has been set in motion to gradually adjust widow's pensions over a number of years to bring them at par with the full pension entitlement of deceased spouses.	Yes, Recommendation 25	2022, Ongoing	SSA Act, Budget 2023	None.	Yes, specifically: Budget 2022 Budget 2023 Budget 2024	The current, and therefore expected recipient population of the mechanism, individuals in receipt of a Widow's Pension are circa 13,000 persons.
Uniform rate of Cost of Living Bonus	The yearly cost-of-living adjustment is split in 2 parts: 2/3 is factored into weekly pension rates and the balance is cumulatively added as a yearly bonus, known as the cost of living bonus (CLBO). Over the years an anomaly has been created with persons who retired in 2008 or earlier drawing the highest CLBO rates and those who retired in subsequent years receiving lower rates. A new mechanism is being set up to achieve parity between all pensioners through gradual annual adjustments in the payable CLBO rates, with pensioners on the lower scales getting higher CLBO rates.	No.	2022	SSA Act, Budget 2023	None.	Yes, specifically: Budget 2022 Budget 2023 Budget 2024	This will benefit up to 54,000 persons granted a pension in 2009 or after.
Increase in the Senior Citizen Grant	The annual grant payable to older persons aged 75 or over and living in the community will increase by €200 for those aged 75 to 79 and €250 per annum for those aged 80 or over. A €50 annual increase was awarded to those aged 80+ in 2022 and with another €50 in 2024 .	No.	2021, 2022, Ongoing	Article 85, SSA	None.	Yes, in Budget 2022	Up to circa 50,000 older persons aged 75+ will benefit from this measure.
Helping atypical employees achieve better pension rates	Up to now, social security contributions of atypical employees who undertake multiple part-time jobs cover only one employment. As a result, on retirement these workers qualify for a lower pension than an employee who holds a full-time job. The anomaly is to be addressed by allowing the payment of contributions on more than one part-time job up to a maximum of 40 hours per week.	Yes, Recommendation 5	2022	SSA Act, Article 7, Budget 2022	Ongoing, Budget 2023 enactments underway	Yes, in Budget 2022	The current number of individuals which fall under the described conditions are approximately 5,000 employees.
Pension safeguards for separated/divorced spouses	Government introduced a measure aimed at protecting a spouses' right to an adequate contributory pension entitlement in the event of separation or divorce. Legal amendments are in process to grant courts the power to order transfer of social security contributions paid during married life between spouses when ruling on separation cases.	No.	2022	Civil Code, Article 54 (5)	None.	Yes.	The measure is particularly intended to cover older cohorts of women who late in life divorce or separate and fall short of an adequate contributory pension in their own right.

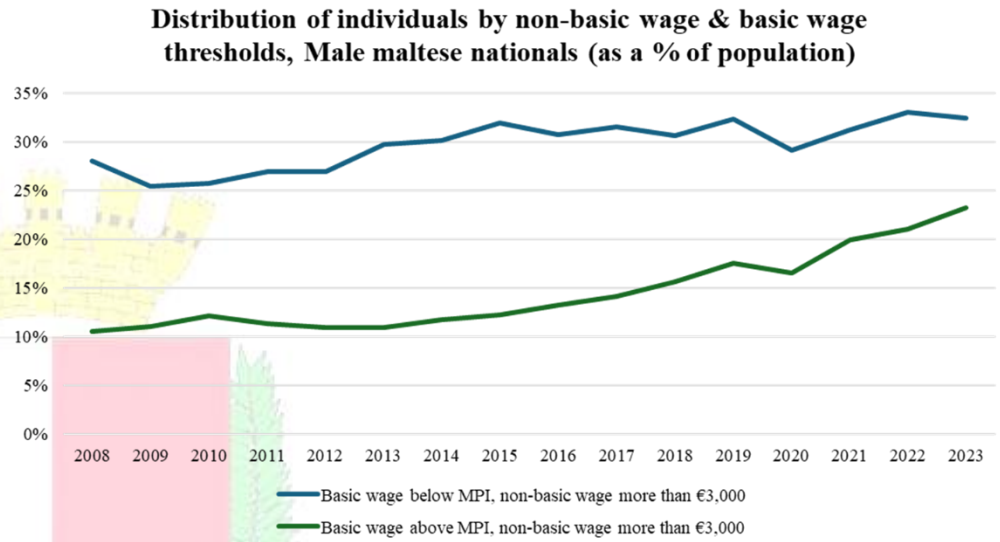
Name of Measure	Description	2015 SR Recommendation?	Implemented and Year of implementation	Reference to Changes introduced in National Legislation	Additional remarks	Measures adopted (or materially changed) after the publication of the Strategic Review and the post-consultation feedback (YES/NO)	Quantitative and Qualitative Assessment of Proposed New Measure
Adequacy measures planned to be implemented							
Treatment of a Personal Pension Plan and a Voluntary Occupational Retirement Pension Scheme on Divorce / Separation	The MFSA as the financial services regulator together with representatives of women and consumer rights', shall study and introduce regulatory measures similar to overseas jurisdictions of how a personal private pension or a voluntary occupational retirement pension scheme is to be administered in the event of separation or divorce and issue guidance notes on this matter to provide clarity to persons undergoing divorce or separation as well as to the courts in the event of disputes. *Consideration will be given to the legal changes described in measure no 11.*	No.	Yet to be implemented.	None.	None.	No.	Not applicable.
Annual Pension Increase for all pensioners	The Collective Agreement based pension re-assessment mechanism will be replaced with an indexation mechanism that as minimum results in an annual pension increase of a basic percentage (%) of a ratio of [70% Wage Growth: 30% Inflation Growth] or Full COLA whichever is the highest. Additional increases may be granted over and above as deemed necessary. This will be a fairer system than the current one which is skewed in favour of pensioners whose employment on retirement was at an entity where workers' salaries are established through a collective agreement. It will also bring parity between pensioners born before 1962 and those born after. Thus uniform increases will be guaranteed for all pensioners, as is Government's intention through the pension increases it has granted since 2018. This cost of this measure is reflected in Measure no 1.	No.	2022, Ongoing commitment	SSA Act, Budget 2023	None.	No.	Not applicable.
Establishing a Single Indexation Mechanism for Increases to the Maximum Pensionable Income (MPI)	A single indexation mechanism for increases to the MPI will be established which will result to identical annual increases to the MPI for those born before 1962 and those born after. This will remove the existing dichotomy between persons born in and before 1961, and those born in or after 1962. The cost of this measure is reflected in measures 1 and 15. There will be a gradual adjustment in the flat rates payable to contributory Retirement and Invalidity Pensioners to address the current difference in rates depending on civil status. All rates payable will be brought at par, leaving only the difference in rates depending on one's yearly contribution average during working career.	No.	2022, Ongoing commitment	Twelfth Schedule of the SSA Act	None.	Yes.	At present there are two separate indexation regimes between those born before and after 1962. For those born before, the maximum pension rises just with inflation. For those born after it rises by 70% of wage growth and 30% inflation. This different indexation is leading to a divergence in the two maximum pensionable incomes. The shift to a single indexation system will remove this divergence and improve the adequacy for those born before 1962. This is particularly important as those born before 1962 typically have one pension per household rather than two, due to the fact that labour participation was quite low for women in previous decades.
Equivalence in flat rates of retirement and invalidity pensions, irrespective of civil status;	There will be a gradual adjustment in the flat rates payable to contributory Retirement and Invalidity Pensioners to address the current difference in rates depending on civil status. All rates payable will be brought at par, leaving only the difference in rates depending on one's yearly contribution average during working career.	No.	Yet to be implemented.	None.	None.	Yes.	This measure will ensure equal and fair benefit rates across beneficiaries irrespective of their civil status.
Balancing Care for the Elderly and Employment as Malta's Population Ages	01. Relationship for the qualification with employment will be retained but the current condition (to qualify for unlimited contribution credits one must have at least 20 contributions per year in the carer's contributory history) will be reduced to 15 contributions per year (established on the basis of the two-thirds pension threshold). 02. The current policy allowing for filling of gaps in contributory history is currently limited to employees, self-employed persons and Invalidity Pension beneficiaries.	No.	2023, Ongoing commitment	Budget 2023	None.	Yes, specifically: Budget 2023	The measure's current target population is to be extended to persons who qualify for a Carer's Allowance and the Increased Carer's Allowance with a view to allow such persons to fill gaps in contributions.

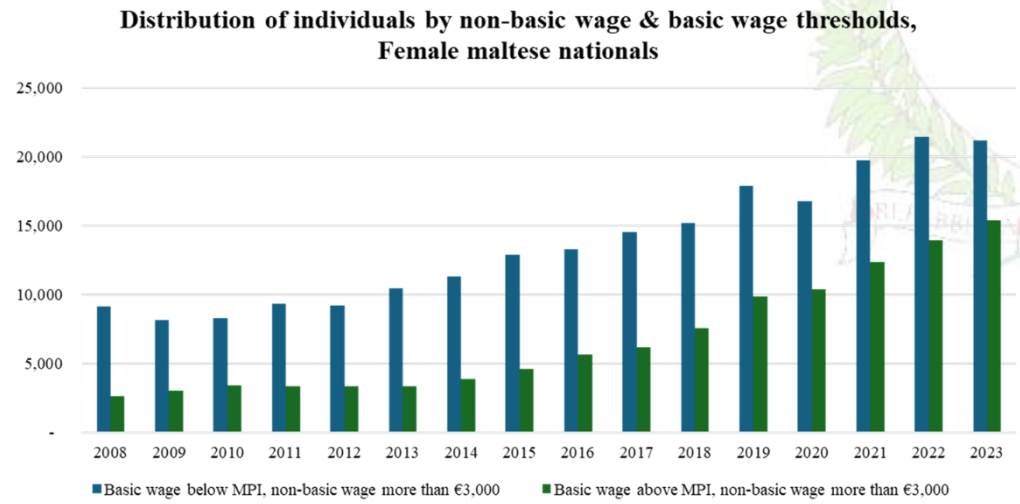
Name of Measure	Description	2015 SR Recommendation?	Implemented and Year of implementation	Reference to Changes introduced in National Legislation	Additional remarks	Measures adopted (or materially changed) after the publication of the Strategic Review and the post-consultation feedback (YES/NO)	Quantitative and Qualitative Assessment of Proposed New Measure
Sustainability measures that have been implemented							
Pension deferral	In 2016, a reform introduced pension deferral incentives to create a financial incentive to favour those who postpone retiring at the early exit age despite having a full contributory record.	Yes, Recommendation 14	2016	SSA Act	Recommendation was not adopted at that time by Government.	No.	This measure has contributed to increase working careers. A recent study has indicated that once someone works to the statutory pension age, the likelihood of them working even beyond that age is improving with each subsequent cohort at a faster than expected rate and attributed this to the deferral scheme. Up to now nearly 5,400 pensioners have benefitted from this financial incentive.
Increase in contributory period	As per the 2007 reform the contributory period required to earn a full pension and/or to retire early will increase from 35 years to 40 years for those born between 1962 and 1968.	Yes, Recommendation 12	2016, Ongoing	SSA Act, Article 53	None.	No.	This will affect persons who potentially could retire as from 2023 and will yield savings, while diminishing the possibility to access the early exit age.
Increase in retirement age to 64 in 2022	As per the 2007 pension reform, the retirement age will rise to 64 in 2022.	Yes, no specific recommendation	2007 reform	SSA Act, Pension Age definition	Measure implemented as part of pension reform	No.	This will affect persons born from 1959 to 1961.
Increase in retirement age to 65 in 2026	As per the 2007 pension reform, the retirement age will rise to 65 in 2026.	Yes, no specific recommendation	2007 reform	SSA Act, Pension Age definition	Measure implemented as part of pension reform	No.	This will affect persons born on or after 1962 and will terminate the gradual rise in pension age to 65.
Ensuring a Fair Balance between Contributions and Benefits across Generations	As per the 2016 reform the contributory period required to earn a full pension and/or to retire early will increase from 40 years to 41 years for those born between 1969 and 1975. As per same reform, for one to earn the right to retire early, out of the mentioned 41 years: 31 years have to be paid contributions for those born in 1969; 32 years have to be paid contributions for those born in 1970; 33 years have to be paid contributions for those born in 1971; 34 years have to be paid contributions for those born in 1972; 35 years have to be paid contributions for those born in 1973 or after.	Yes, Recommendation 12	2016	SSA Act, Article 53	None.	No.	This will affect persons who potentially could retire as from 2030 and will yield further savings, while diminishing further the possibility to access the early exit age.
Increase in tax credit ceiling for private pensions	The ceiling on which tax credits are awarded on contributions to private pensions has increased from €2,000 to €3,000. Persons who have or will invest in a private pension and contribute at least €3,000 per annum will now benefit of a tax credit of up to €750. This measure is aimed at increasing the number of private pension investors hence improving adequacy replacement rate of prospective pensioners while alleviating pressures on the state pension.	No.	2021	Income Tax Act	None.	Yes, specifically: Budget 2021	This measure is primarily intended to promote the diversification of retirement incomes and reduction on the dependence on state pension. It reduces income risks and reduces further pressures on the public finances.
Sustainability measures planned to be implemented							
Ensuring a Fair Balance between Contributions and Benefits across Generations	To retain the relationship of a fair balance between contributions and benefits across generations (a) the target ratio is to be set at 1.97; and (b) contributory period is increased to 42 years for those born in 1976 or after.	Yes, Recommendation 11	2016	SSA Act, Article 53	None.	No.	This proposed increase is in line with 2016 reform and legally enacted principle of maintaining balance between contributory periods and period one is expected to draw retired pension based on life expectancy.
Strengthening the Management Capacity for Pension Reform	A permanent technical team is constituted within the context of the continuum of the five year strategic review mechanism responsible for the regular annual assessment of the implementation of measures suggested in strategic reviews together with the drawing up of technical papers on pension issues presented for public discussion such as at the MCESD and the Social Affairs Parliamentary Committee.	No.	2023, Ongoing commitment	Not applicable.	None.	No.	Although this measure would have an indirect effect, it will increase the institutional capacity of the public service in relation to pension strategy. The Unit will carry out projection modelling to achieve a better understanding of the impacts of Malta's aging population, informal care and its resultant impacts on both the labour market and pension system behaviour. The Unit will be pivotal to implement the necessary pension reforms as proposed by the Pension Strategy Group.

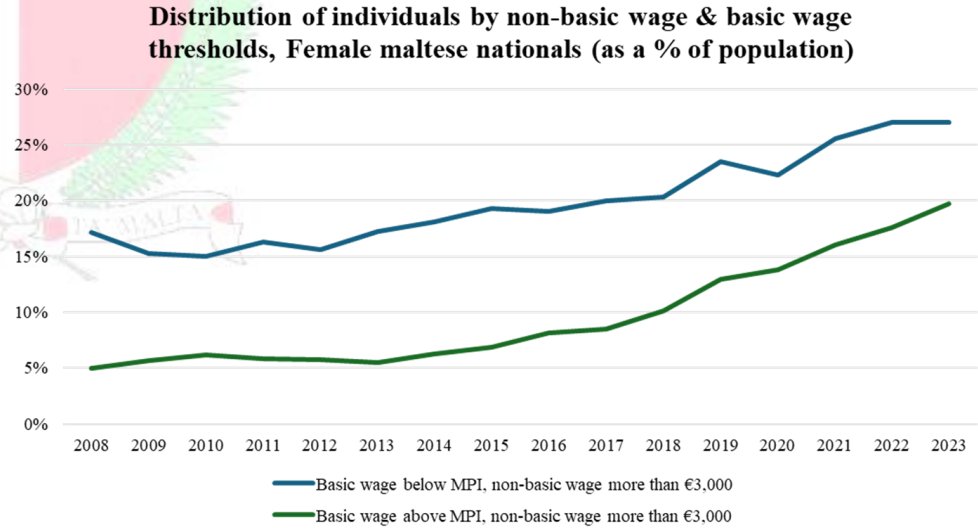
Name of Measure	Description	2015 SR Recommendation?	Implemented and Year of implementation	Reference to Changes introduced in National Legislation	Additional remarks	Measures adopted (or materially changed) after the publication of the Strategic Review and the post-consultation feedback (YES/NO)	Quantitative and Qualitative Assessment of Proposed New Measure
Measures that address both Sustainability and Adequacy measures planned to be implemented							
Managing Early Exits from the Labour Market	To encourage persons to desist from opting for the early retirement pathway the current top-up incentive mechanism will be increased by 1.5pp and hence amended from a negative actuarially neutral rate to a positively incentivised actuarially neutral rate as follows: - retirement (with sufficient contributions to do so) at 62 years - 6.5% (from 5%) ; at 63 yrs - 7.0% (from 5.5%); at 64 yrs - 7.5% (from 6%); at 65 yrs - 8.0% (from 6.5%).	No.	2024	Budget 2024	Builds up on measure related to pension deferral.	Yes.	This financial incentive is already leading to a growing proportion of individuals to continue working up to the age when the deferral scheme offers its maximum return. This measure will continue to discourage early exists from the labour market and early pension expectations, and at the same time foster strengthened employment rates. By a further material increase in these deferral incentives and the expected positive take-up, Malta would continue to ensure its sustainability on public finances. This measure would also contribute to higher pension rates and therefore ensuring better pension adequacy.
Increase in tax credit ceiling for private pensions	The ceiling on which tax credits are awarded on contributions to private pensions will increase further from the current €3,000 for both employees and employers. Persons who have or will invest in a private pension and contribute at least the enhanced amount per annum will start benefitting from a tax credit higher than the current €750.	No.	Ongoing.	None.	None.	Yes.	This measure is primarily intended to promote the diversification of retirement incomes and reduction on the dependence on state pension. It reduces income risks and reduces further pressures on the public finances.
Doubling of tax credit for private pensions	The applicable tax credit is to be doubled for the first 2 years from when one enrols into a private pension. This is intended to increase the take up of the scheme particularly among younger savers. This measure is also aimed at increasing the number of private pension investors.	No.	Ongoing.	None.	Builds up on measure related to increase in tax credit ceiling for private pensions.	Yes.	This measure is primarily intended to promote the diversification of retirement incomes and reduction on the dependence on state pension. It reduces income risks and reduces further pressures on the public finances.
Switching of child policy plans into private pension plans	After consultation with the financial industry, existing or new financial instruments will be created so that private pension plans can be set up also for children. This measure is planned to be implemented between 2024 and 2027.	No.	Ongoing.	None.	Builds up on measure related to increase in tax credit ceiling for private pensions.	Yes.	MSPC has consulted MFSA in order to be able to quantify the financial impact of this measure. A request for further information on the take-up of this measure was issued by MFSA to the national service providers. Data was provided as follows: -The total number of children's policies: 3,323 -The amount of assets existing policies have at the moment: € 37,058,147 -Amount people are investing every year: € 900 (This average contribution was calculated on policies being actively paid i.e. it ignores dormant policies on which the policyholder stopped paying the regular premium)
Policies to Support the Employment of Older Workers	Given Malta's ageing demographics, a national discussion will be made on the best active aging labour retention framework that Malta requires and measures such as the following will be implemented: 01. A national campaign on attitudes and perceptions of employers towards older workers. 02. A scheme that refunds cost of workplace training or at MCAST and other vocational institutes for the up-skilling or re-skilling of older workers. 03. A scheme, potentially under the Micro invest programme, to enable employers to buffer the cost (up to a maximum limit) for the workplace to conform to the needs of older works. 04. A scheme that offers tax credits for the first three years of employment of older persons aged 55 years and over who are inactive. The refund would be tapered, with a full refund in the first year, falling to zero after the third year of employment.	No.	Ongoing.	None.	None.	Yes.	This measure would promote the retention and engagement of more older workers into the labour market, which would aid such persons to lower their income risks in later life and have higher pension rates when retiring. Higher activation rates in the labour markets would decrease the dependency on state-financed benefits and further discourage early retirement. Therefore, this initiative would further foster sustainability in the public finances.
Regulating Unofficial Home Equality Release in the Elderly Care Sector	The necessary legislative measures to regulate the unofficial home equity release market will be introduced for providers of care for the elderly facilities that results in the trading-off of residential care and in exchange for residential property.	No.	Ongoing.	None.	None.	Yes.	MSPC has consulted MFSA on this measure. Although under the current legislation banks are permitted to provide equity loans to older persons, take-up is very limited to almost negligible.

Annex 2

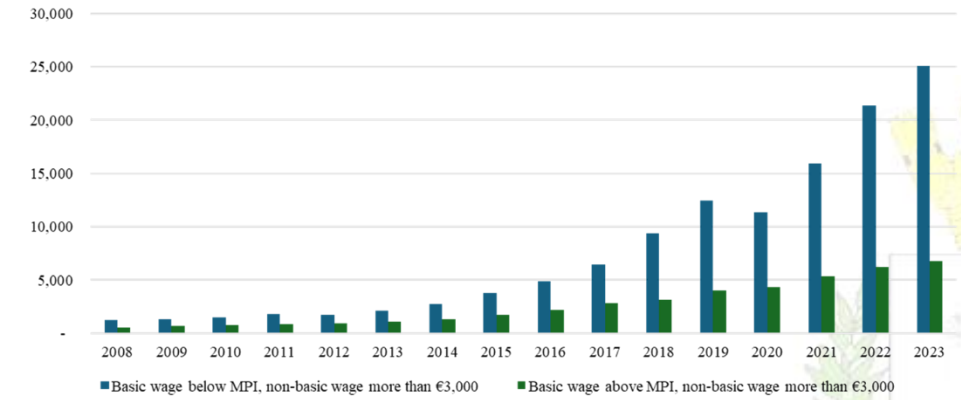

Distribution of individuals by non-basic wage & basic wage thresholds, Male maltese nationals
35,000
30,000
25,000
20,000
15,000
10,000
5,000
-
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Basic wage below MPI, non-basic wage more than €3,000
Basic wage above MPI, non-basic wage more than €3,000


Distribution of individuals by non-basic wage & basic wage thresholds, Male maltese nationals (as a % of population)
35%
30%
25%
20%
15%
10%
5%
0%
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Basic wage below MPI, non-basic wage more than €3,000
Basic wage above MPI, non-basic wage more than €3,000

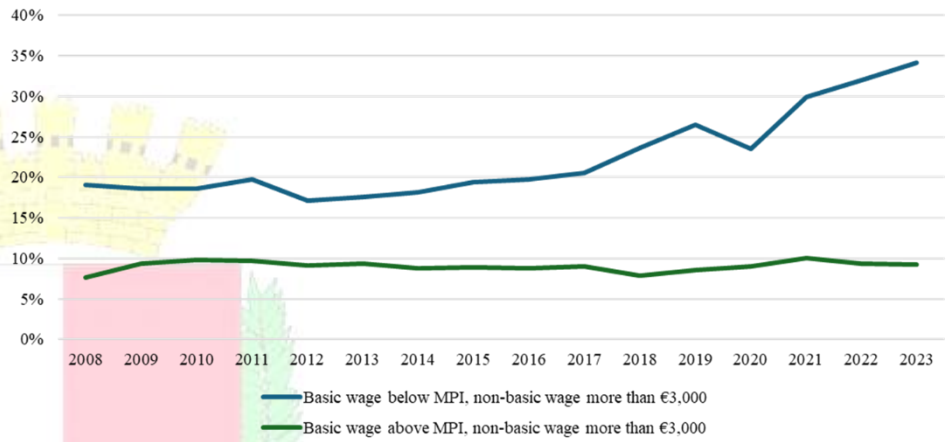

Distribution of individuals by non-basic wage & basic wage thresholds, Female maltese nationals
25,000
20,000
15,000
10,000
5,000
-
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Basic wage below MPI, non-basic wage more than €3,000
Basic wage above MPI, non-basic wage more than €3,000


Distribution of individuals by non-basic wage & basic wage thresholds, Female maltese nationals (as a % of population)
30%
25%
20%
15%
10%
5%
0%
2008 2009 2010 2011 2012 2013 2014 2015 2016 2017 2018 2019 2020 2021 2022 2023
Basic wage below MPI, non-basic wage more than €3,000
Basic wage above MPI, non-basic wage more than €3,000

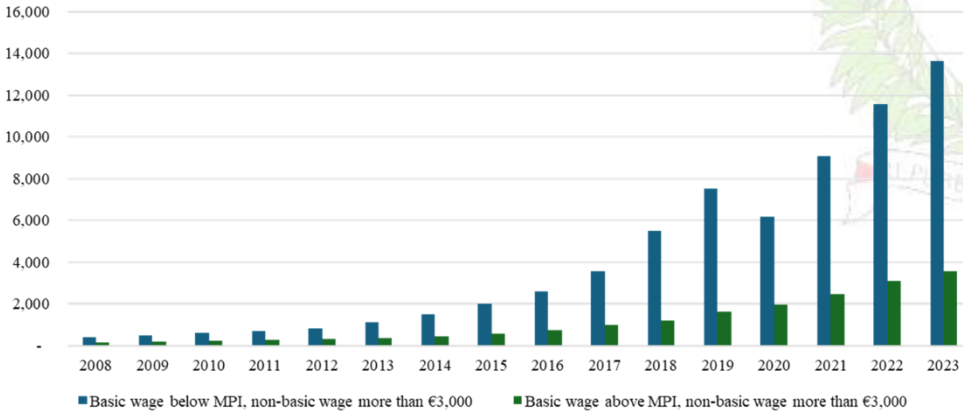
Distribution of individuals by non-basic wage & basic wage thresholds, Male non-Maltese nationals



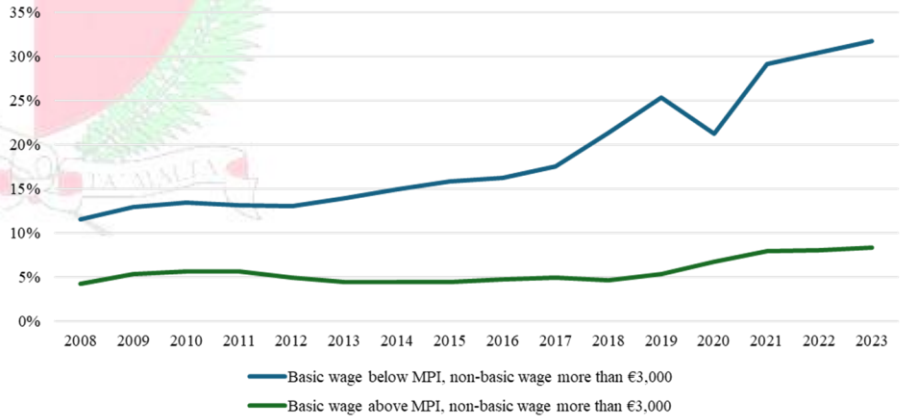
Distribution of individuals by non-basic wage & basic wage thresholds, Male non-Maltese nationals (as a % of population)



Distribution of individuals by non-basic wage & basic wage thresholds, Female non-Maltese nationals



Distribution of individuals by non-basic wage & basic wage thresholds, Female non-Maltese nationals (as a % of population)



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