

## News

# 'Lower birth rates led to necessity to resort to private pensions' – social security department chief

• 'The EU and every government must intervene to regulate anything connected to abuse within the workplace'



SEMIRA  
ABBAS SHALAN

It has become necessary for people to resort to private pensions from a young age due to the lower birth rate, Grazio Barbara, director general of the Social Security Department said.

Pensions and social benefits have gone through significant changes over the years, with the Social Security Department striving to discuss and put forth policies which can be sustainably put into practice for the benefit of most citizens.

The Malta Independent on Sunday spoke with Barbara regarding social benefits for the self-employed, as well as the issue of sustainable pension schemes which have proven to become an increasing problem for countries due to a lower birth rate. Barbara took part in a conference organised by the Malta Federation of Professional Associations which dealt with issues faced by the self-employed.

Barbara was asked about future pensions and their sustainability, to which he replied that this has become a problem in several countries due to the current low birth rate.

"It has become difficult for the birth rate to increase to how it used to be, reason being that having children has been postponed by at least 10 years. Whereas before, women decided to have children in their 20s, nowadays it has been postponed till their 30s. This will impact the future pensions of these children," Barbara said.

Barbara said that the country's economy must continue to grow by increasing jobs and having enough workers to contribute their social security contributions, which will then benefit future pensions. He said that nowadays, according to statistics, one fourth of the labour force in Malta is made up of foreign workers as there are not enough Maltese people for the jobs available.

"It is an advantage that foreigners come here to work and pay social security contributions as they tend to not spend a long period of time living and working in Malta. It benefits the pension scheme as they are contributing to the pensions but do not stay

long enough in Malta to gather at least the minimum social contributions," Barbara said.

Barbara also said that government has been encouraging private pension schemes, as well as giving incentives on tax credits to attract more people towards private pensions.

"State pensions will not be enough for future pensions as there are not enough people to contribute to social security contributions. It would be ideal for a person to resort to private pension schemes from a young age to ensure they do not have a large amount of money in arrears to pay," Barbara said.

Barbara was asked whether there are additional social benefits alongside the pension, to which he replied in the affirmative, saying that the Maltese law provides two important pillars; one which is contributory and one which is non-contributory.

"A person can receive additional benefits which are non-contributory but are means tested, to increase their income in addition to their pension. Such an example is the supplementary allowance which has brackets of how much a person can be paid," Barbara said.

He said that pensioners who have a chronic condition may apply for medical aid where it entails that they pass from a medical panel and start receiving an additional allowance, which would cover any extra medicine without having to take away from their pension.

Barbara spoke about self-employed persons, defined in legal notice number 44 of 2012 issued under the Employment and Relations Act (Cap. 452) as a worker who meets five of eight pre-established criteria. The self-employed has certain benefits of choosing their work hours as well as pay rates, while the employed person is subject to certain rules within a workplace.

The world of work has changed significantly on a global level. Asked if he would define this as progress, and should the European Union legislate to stop certain developments, Barbara said that the EU, as well as any government, must focus on stopping abuses within the working world.

"The EU and every government must intervene to regulate anything connected to abuse within



Director General of the Social Security Department Grazio Barbara

the workplace, with regards to pay, hours and conditions," Barbara said. He said that the social security department is doing its utmost with the social benefits it issues, and more can be done.

"One would want to do more with regards to benefits, but we must hold back as if you do not impose certain restrictions, there will be more abuses," Barbara said. He added that if a new type of benefit is to be established, one must foresee its consequences and try to limit abuses as much as possible, as they cannot be totally eradicated.

Asked if he sees additional risks which have arisen with the development of platform work and the gig economy, Barbara reiterated that unfortunately abuses remain and will continue with new types of jobs. He said that abuses are done at a quicker pace than it takes for the legislator to be made aware of these abuses.

"Abuses are usually highlighted once they are reported, if they are not reported it is difficult to notice, and certain preventative actions cannot be taken," Barbara said.

He mentioned as an example a group of drivers who have been

facing bad conditions of work. He said that they have been branded as self-employed rather than employees so that the employer can avoid paying for their social security contributions and strip them of sick leave entitlement. Moreover, in cases where these people are injured, the employer holds no responsibility. This is the type of abuse some suffer, he said.

Self-employed persons can benefit from social benefits when they stop work to raise children, Barbara said, adding that such a person can benefit from Child Credits. This means that if a person had children and has stopped working to raise them, once it is time for that person to receive a pension, child credits will be awarded to cover for the time they "lost".

"We must make a distinction between those who were born before 1962 and those who were born after. Those born before receive two years per child and those born after can have four years per child. The period can go up to six years after the birth of the child," Barbara said.

He said that a person cannot spend 10 years without working and be covered for the entire pe-

riod, but at least, a part of it can be covered.

Barbara said that there is the facility that those aged 59 years and over can ask to pay for their missing social contributions in arrears, provided that they have not received a pension and are in employment.

Asked about a possible increase in the invalidity pension rates, which is given to persons who are not of retirement age and have to be medically boarded out of work due to an illness or injury, Barbara said that this is a fixed rate pension, as it is not income related as that of the retirement pension.

Barbara said that the number of people who are medically boarded out has been decreasing since the system was changed from people physically appearing before a medical panel to the current one where documentation of the case is being viewed and either an invalidity pension is recommended or rejected by a medical doctor.