

Budget 2013

- Proposals -

UHM
October 2012

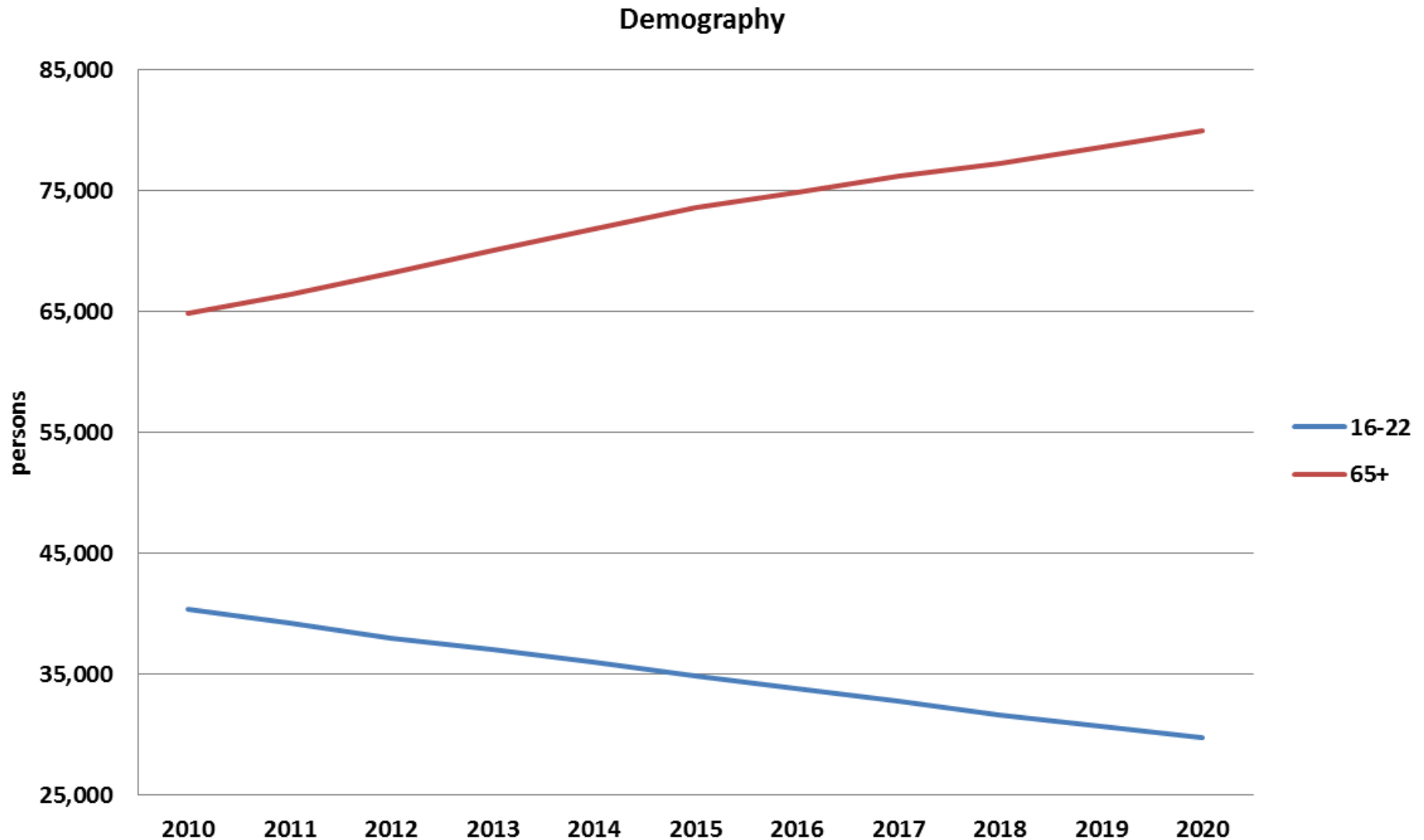
Towards a Sustainable Society

- UHM strongly believes in a *Sustainable Society*.
- It is only through sustainability that we can ensure a better quality of life to future generations.
- In this context, UHM's budget proposals are intended to enhance the prospect of a sustainable future for the common good.

Preamble (1)

- Our society is set to experience one of the biggest challenges in history – demographic ageing.
- It estimated that by the end of this decade the age cohort 16-22 will go down from 40,000 to 30,000.
- On the other hand, the 65+ cohort will increase from 65,000 to 80,000.

Preamble (2)



Preamble (3)

- Without any doubt, this is going to have disconcerting effects.
- In short this means that the demand for health and other social benefits is going to rise, while the supply of labour shrinks.
- This happening will put in question the sustainability of our present welfare system.

Education (1)

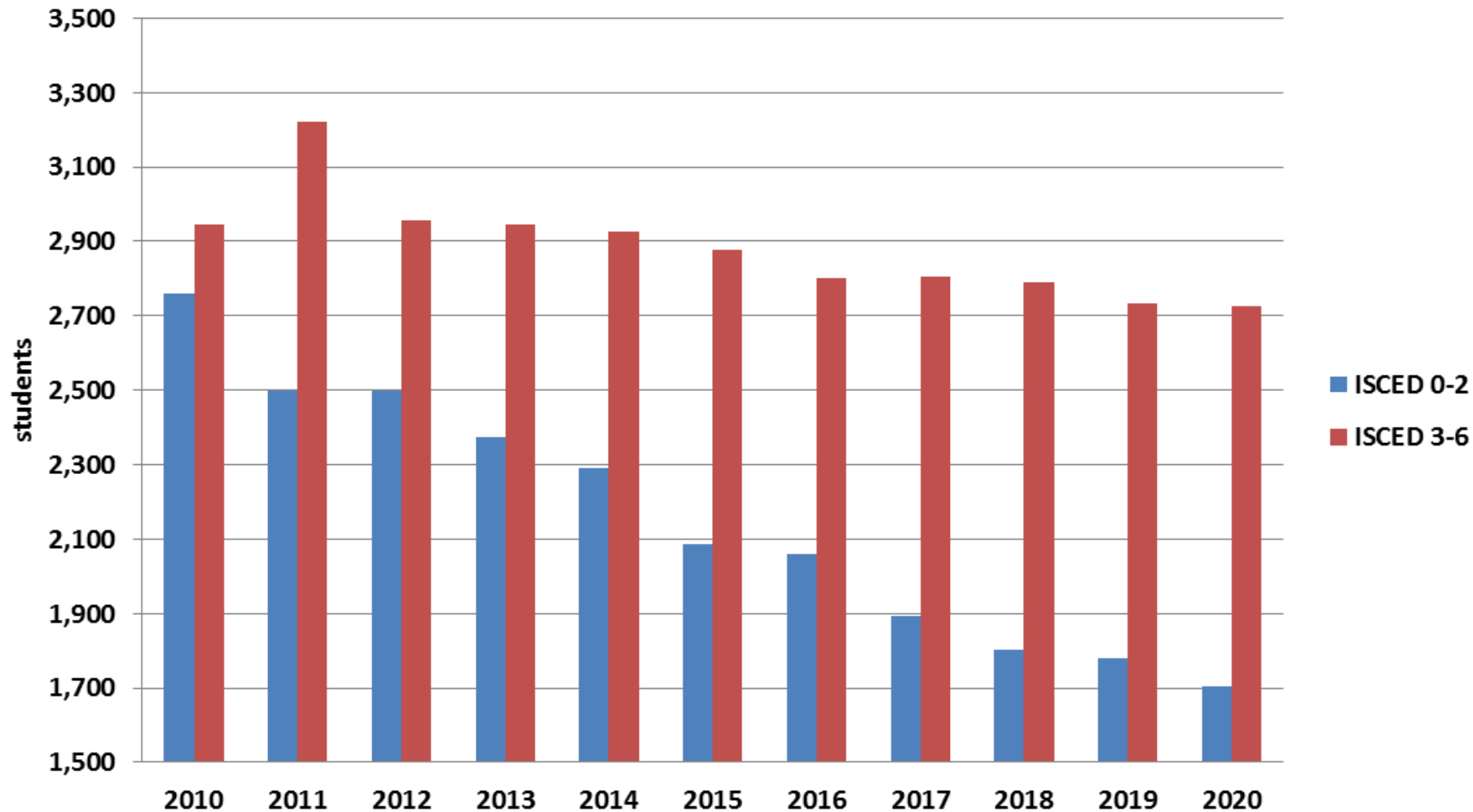
- The absolute number of students that graduate with success is on the rise. Nevertheless, by 2020 despite a higher success ratio, the absolute number of graduates will be lower compared to today.
- In 2020 there will be about 500 less graduates from University, ITS and MCAST when compared to present levels.

Education (2)

- It is estimated that early school leavers would still amount to 1,700 students by 2020.
- UHM recommends government to take immediate actions that address the problem of early leavers in order to increase the potential of successful students.

Education (3)

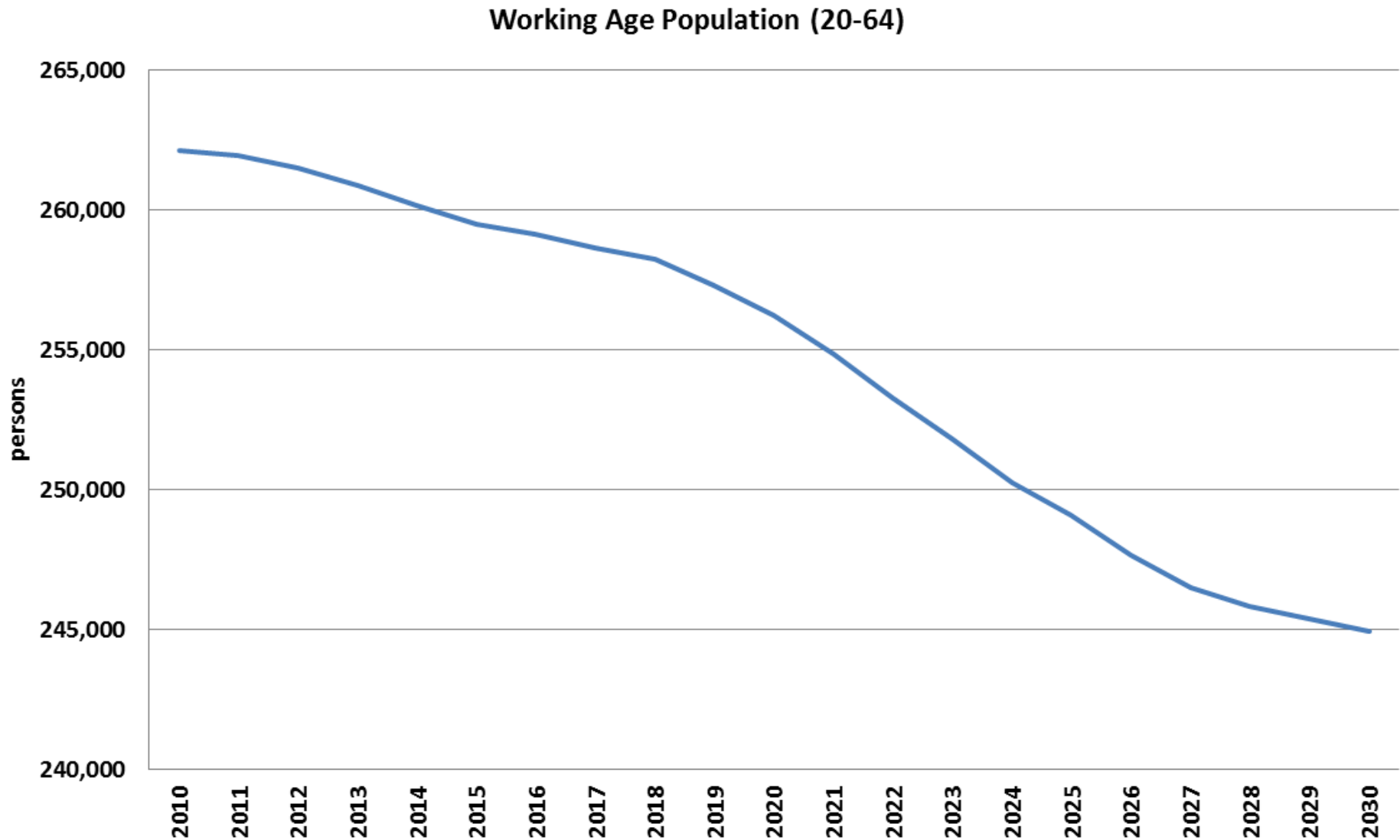
Education system output



Labour Market (1)

- It is estimated that by 2020 the potential working age population will decline by 6,000 persons.
- The decline is expected to accelerate between 2020 and 2030 as the stock of persons will decline by circa 11,000 persons.
- Thus it is imperative that government improves substantially the quality of the workforce to enhance productivity.

Labour Market (2)



Labour Market (3)

- UHM recommends government to:
 - i) facilitate the set up of the *ALMP Counselling and Monitoring Team*
 - ii) re-introduce the *Employment Aid Programme* and the *Training Aid Framework*
 - iii) continue to provide Gozitan civil servants with work in Gozo where possible and available
 - iv) refrain from legitimising precarious work by acting as a model employer

Fiscal Consolidation

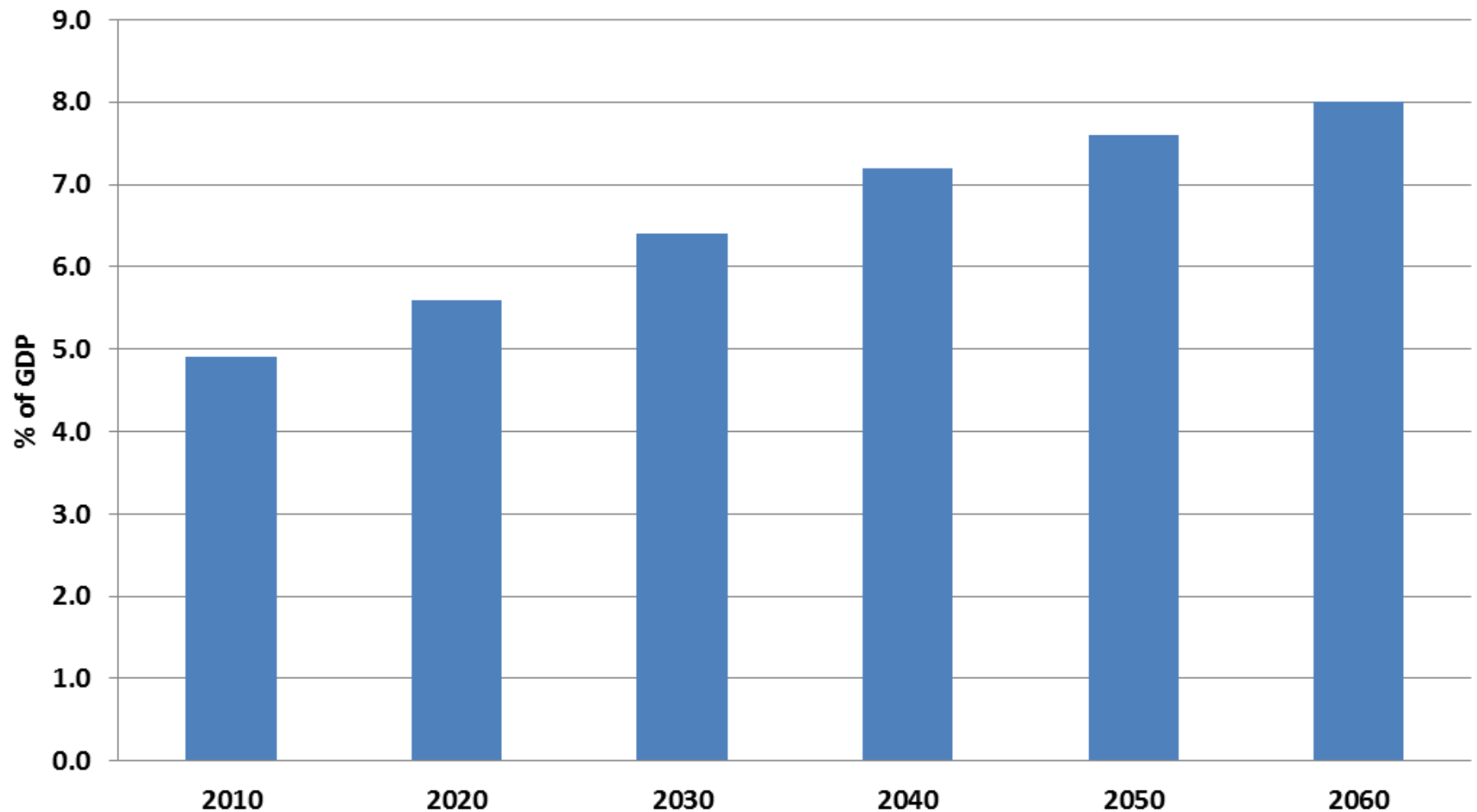
- According to European Commission studies, Malta has one of the highest rates of shadow economy activity – 26% of GDP.
- This means that the state fails to collect a substantial amount of tax dues.
- UHM recommends government to legislate for a *National Consolidated Database* which includes assets that require a license/permit/registration.
- This database will automatically lead to the identification of potential tax evaders.

Health (1)

- It is anticipated that expenditure on health and care of the elderly will spiral up in the coming years.
- UHM is thus recommending government to embark on an exercise to improve the efficiency and effectiveness of health expenditure.
- Any resource savings should be re-invested in the primary health sector in order to ensure a better quality service to people.
- UHM recommends also the introduction of a different regime of business licensing that discourages the consumption of unhealthy food.

Health (2)

Health & Care for the Elderly Expenditure as a % of GDP

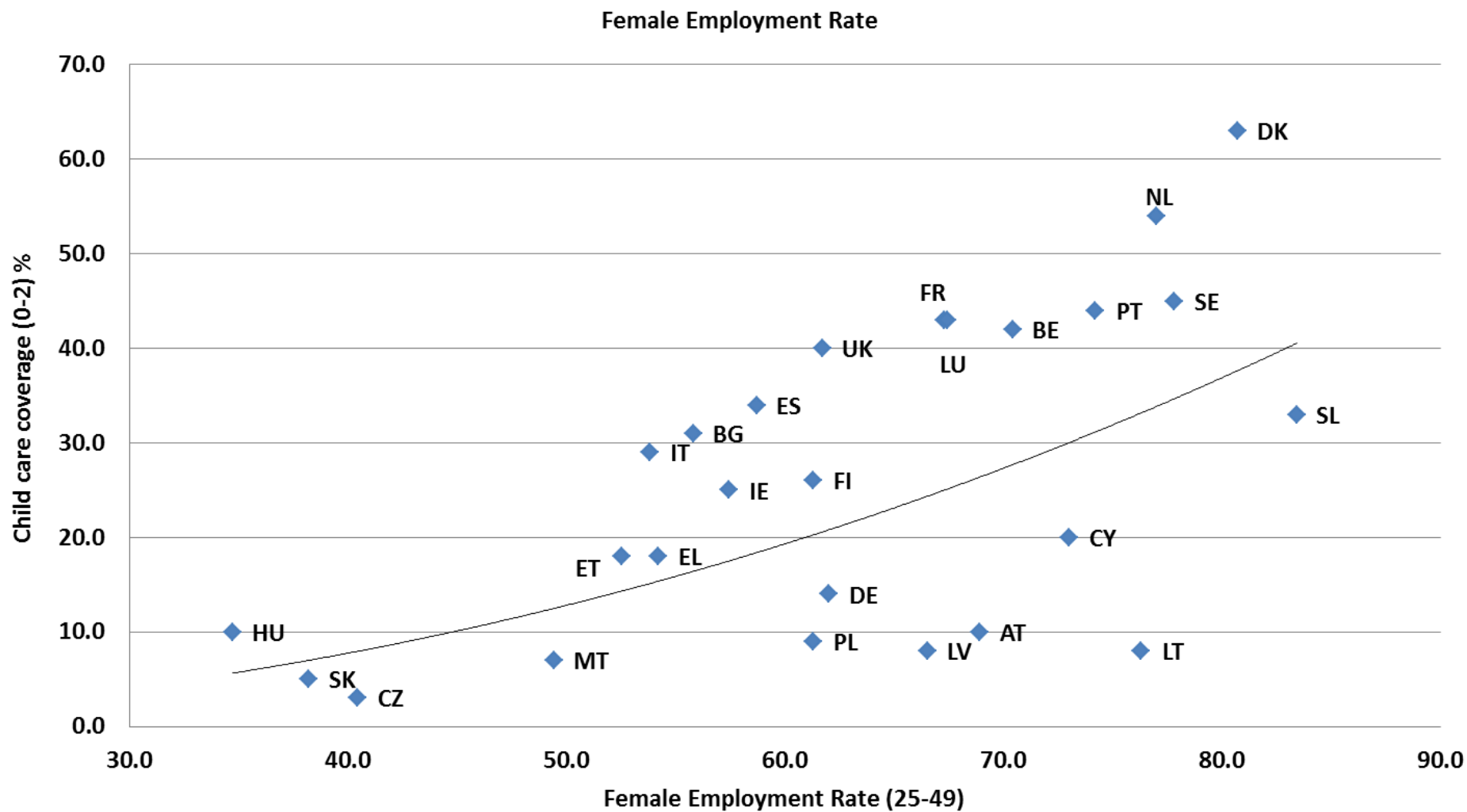


Family (1)

	Female Employment Rate (25-49) - Malta 2011			
	Employment Rate [1]	Without Children [2]	With Children <6 years [3]	Difference [3-2]
ISCED 0-2	39.7%	63.1%	27.8%	-35.3%
ISCED 3-4	75.2%	86.7%	69.7%	-17.0%
ISCED 5-6	89.0%	93.7%	84.0%	-9.7%
TOTAL	56.4%	76.2%	49.4%	-26.8%

	Female Employment Rate (25-49) - EU27 2011			
	Employment Rate [1]	Without Children [2]	With Children <6 years [3]	Difference [3-2]
ISCED 0-2	50.7%	58.2%	36.7%	-21.5%
ISCED 3-4	73.2%	79.2%	59.5%	-19.7%
ISCED 5-6	83.6%	86.5%	77.3%	-9.2%
TOTAL	71.7%	78.0%	61.6%	-16.4%

Family (2)



Family (3)

- UHM believes that families are the bedrock of society.
- It is why UHM recommends government to help the private sector to continue with the introduction of family friendly measures.
- Flexibility is the order of the day and as such UHM recommends government to legislate in favour of making it a right that a person demands to work on reduced hours.

Family (4)

- Benefits of offering free child care to all:
 - => 3,000 new child care places
 - => 550 new carer jobs
 - => 2,000 more mothers taking-up paid work
 - => €5,400,000 in refunds to the middle class
 - => Less costs / more income to government
 - => An incentive to mothers who do not benefit from tax credits because of low income
 - => An incentive that will stimulate disposable income of families on low income
 - => An opportunity for children to socialise (56% of Maltese families with children less than 16 years of age are single child families)

Child care (1)

- **Expenditure**

=> **€11,050,000** in wages for child carers

=> **€3,500,000** to cover daily running expenditure + profit
(average of €700 per child)

=> Total expenditure **€14,550,000**

- **Revenue**

=> **€4,347,000** in Direct Taxation (the 2,000 entrants are assumed to work on average a week of 33.7 hours and are paid at minimum wage rates)

=> **€10,486,000** in Indirect Taxation after the multiplier effect.

=> **€600,000** less in tax credits

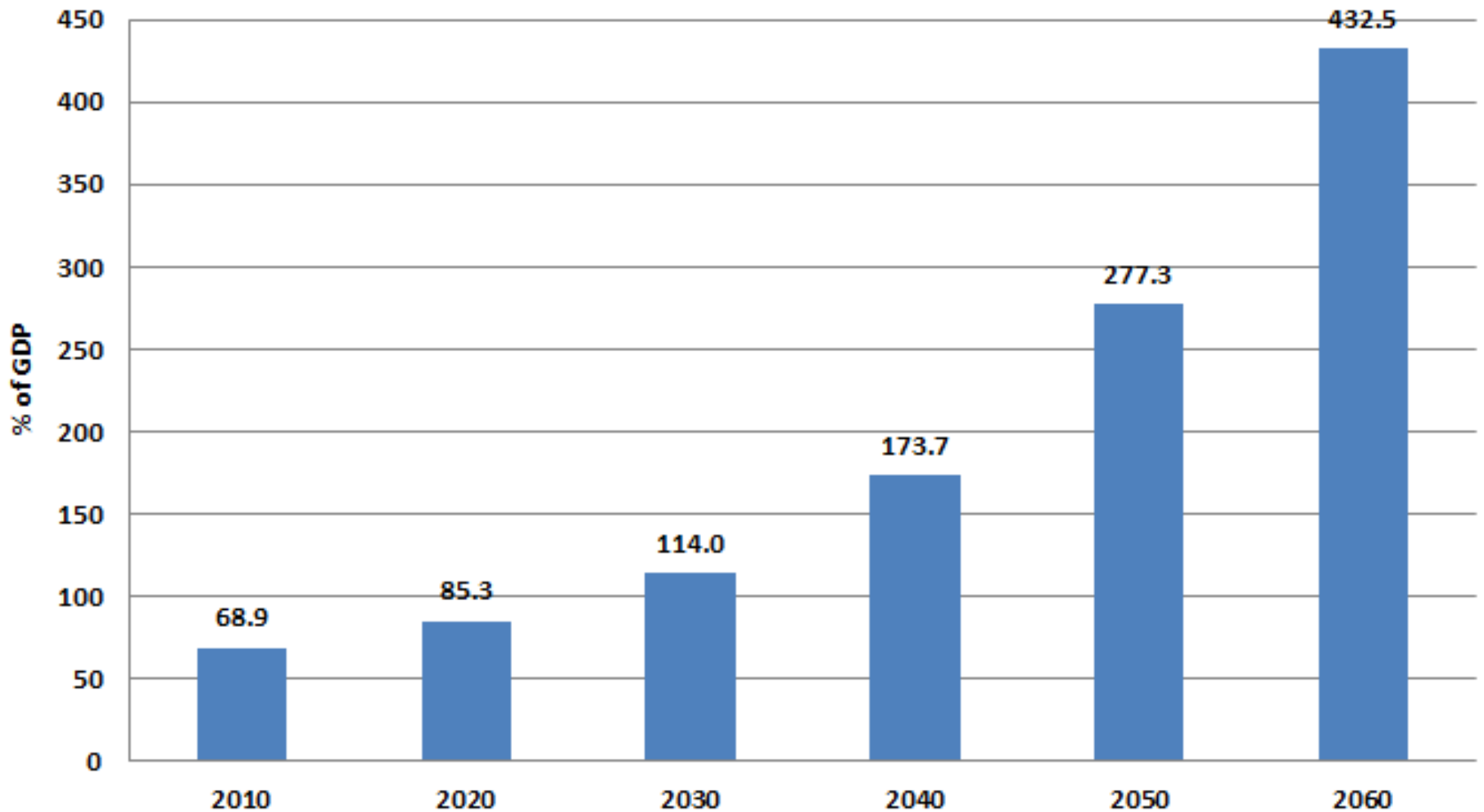
=> Total revenue **€15,433,000**

Child care (2)

- This means that a free child care services offer the potential not only to create jobs (**+ 4.65 million hours of work**) but also to be self-funded (**balance of +€883,000**).
- The workings presented here do not take into account the extra hours of work that may arise from mothers who make extra use of childcare.

Pensions (1)

National Debt as a % of GDP (Ageing Effect)



Pensions (2)

- UHM is very concerned with the adequacy and sustainability of pensions.
- It is thus why UHM recommends all social partners to reach an agreement by 2015 of how much resources should be invested in the second pillar.
- UHM is against the idea of opting for the third pillar as an alternative to the second pillar.
- UHM is against the 'subsidisation' of the third pillar via tax credits. This would be unfair on those who do not have the resources to enrol themselves.

Pensioners

- Many pensioners today are finding it difficult to make ends meet.
- The poverty rate among the old-aged is at 21%.
- UHM recommends government to:
 - => continue to grant part of the service pension
 - => anticipate the introduction of the National Minimum Guaranteed Pension at 60% of the MEI
 - => adopt recommendation 22 of the PWG (continue to give full-pension to beneficiaries who loose their spouse)
 - => provide more community centres to integrate the old within society

Resources

- UHM encourages government to continue its plans to consider gas as an alternative fuel to power the powerstations.
- Gas is not only a cleaner source of fuel but should lead to lower costs in the long-run.
- UHM is concerned that unless bold action is taken vis-a-vis ground water extraction, Malta risks to have to produce all its potable water from the sea.
- Without any doubt this will lead to an increase in water bills, something which the economy can ill afford.

Environment

- To continue to improve the quality of our environment, UHM recommends government to:
 - => continue to offer schemes that incentivise people to invest in solar water heaters / photovoltaic cells
 - => renew the car-scraping scheme
 - => introduce fiscal incentives to car owners to switch to gas

Concluding Remarks

- The proposals submitted to government are intended to lead our society on a sustainable path in terms of economic growth, fiscal consolidation and social equity.
- UHM strongly believes that this is possible only if there is the input from all those who can actively contribute to our society.

Thank You