

Agenda

- Pension Reform Journey
- The Challenges of the Pension System
- Women in the Labour Market and Pension System
- Where we stand today
- Potential reform considerations



Pension Reform Journey

2004α	2005α	2010α	2015α	2020α
α	α	α	α	α
White Paper· Launchedα	Reform·Final· Reportα	1 st ·Strategic· Reviewα	2 nd ·Strategic· Reviewα	3 rd ·Strategic· Reviewα

Demographics

Population

	2004	2005	2010	2015	2016	2018	2019
Total	402,668	404,999	414,989	450,415	460,297	493,559	514,564

Fertility

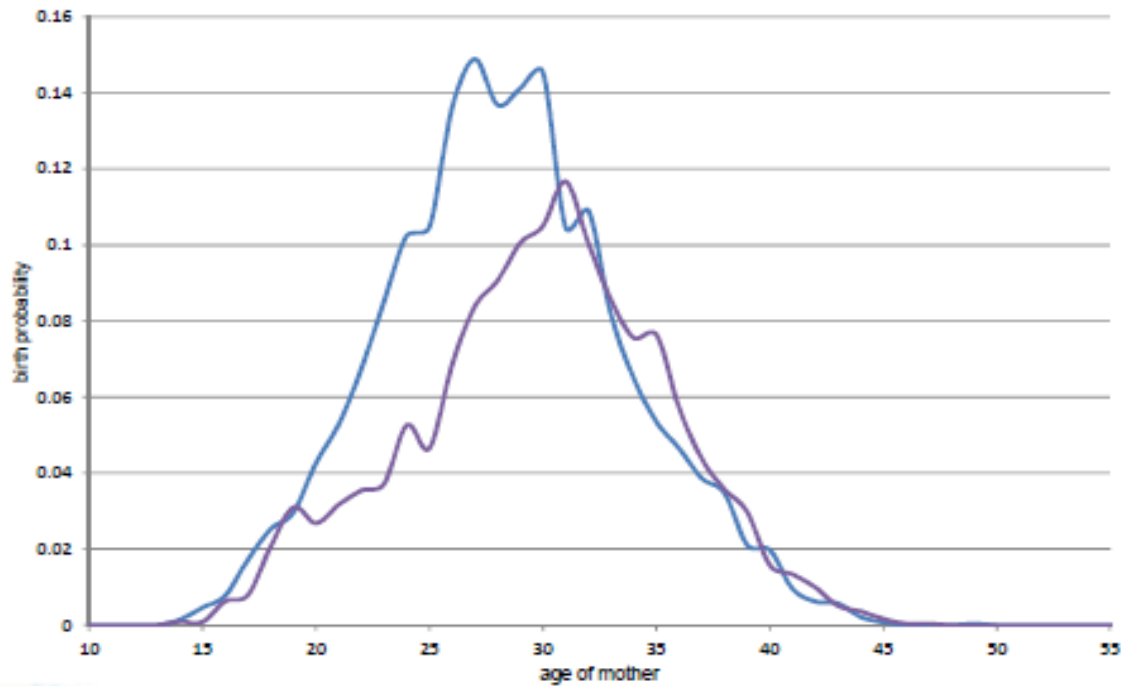
1980	1985	1990	1995	2000	2005	2010	2015	2016	2018	2019
1.99	1.99	2.05	1.82	1.69	1.39	1.36	1.37	1.37	1.23	1.14

Live Births

Mother's Age	2000	2010	2015	2016	2018	2019
14-19	246	254	134	149	134	132
20-24	899	530	494	499	440	412
25-29	1,587	1,268	1,309	1,279	1,199	1,176
30-34	1,092	1,244	1,580	1,602	1,647	1,632
35-39	450	535	684	798	862	837
40-44	113	65	120	140	155	151
45+	5	2	4	9	7	9

Demographics

Age Specific Fertility Rate



Demographics

Live Expectancy

	Male						
Reference Years	2012	2013	2014	2015	2016	2018	2019
At 61 Years of Age	20.8	21.6	22.0	21.9	23.0	22.4	22.8
At 65 Years of Age	17.6	18.4	18.7	18.8	19.7	19.2	19.4
At 70 Years of Age	13.8	14.6	14.8	14.9	15.8	15.3	15.6
	Female						
	2012	2013	2014	2015	2016	2018	2019
At 61 Years of Age	24.4	25.0	25.2	25.2	25.7	25.8	26.1
At 65 Years of Age	21.0	21.5	21.7	21.6	22.1	22.3	22.5
At 70 Years of Age	16.7	17.1	17.5	17.4	18.0	18.0	18.3

Migration Flows

	2009	2010	2011	2012	2013	2014	2015	2016	2018	2019
Total	2,293	74	1,659	4,251	6,119	9,346	9,841	8,748	17,102	20,343
Males	1,181	-309	838	2,293	3,677	5,387	5,432	4,546	10,835	13,535
Females	1,112	383	821	1,958	2,442	3,959	4,409	4,202	6,267	6,808

Women in the Labour Market

Total Employment Rate by Gender (20-64 years): 2012- 2019

	2004	2005	2010	2015	2018	2019
Total	57.9%	57.4%	60.1%	69.0%	75.5%	76.8%
Males	81.2%	79.7%	78.2%	82.1%	86.0%	86.5%
Females	34.3%	34.8%	41.6%	55.3%	64.1%	65.8%

Number of Persons in Full-time Employment by Sex (20-64 years): 2012-2019 ('000s)

	2012	2015	2018	2019
Total	145.5	163.8	201.0	216.5
Males	99.1	108.9	127.9	138.1
	2012	2015	2018	2019

Number of Persons in Part-time Employment by Sex (20-64 years): 2012- 2019

	2012	2015	2018	2019
Total	20,300	25,600	28,200	28,400
Males	5,100	6,600	8,200	8,000
Female	15,200	19,000	20,000	20,400

Number of Employed Persons Aged 65 years and over: 2012 –2019

	2012	2015	2018	2019
Total	2,600	3,900	4,100	5,400
Males	2,100	3,200	3,500	4,100
Female	400	700	600	1,300

Total Working Life by Gender in Years: 2004-2019

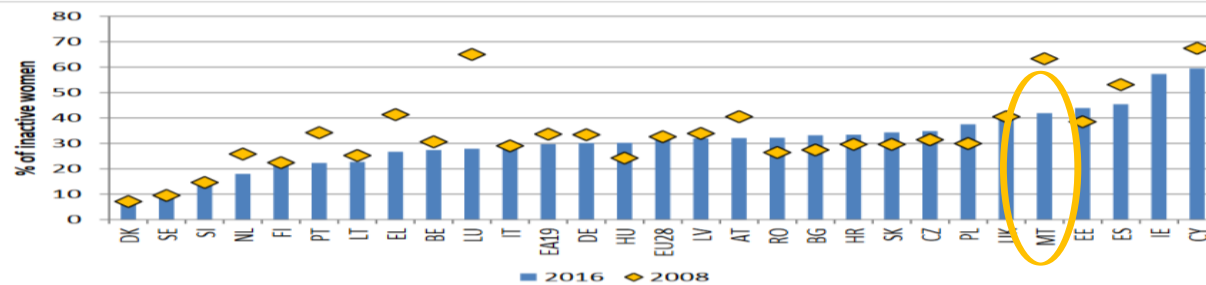
	2004	2005	2010	2015	2018	2019
Total	28.0	28.3	30.3	33.7	36.0	36.5
Males	38.5	38.2	38.7	40.1	41.0	41.1
Females	17.1	18.1	21.6	27.2	30.5	31.8

Usual Hours Worked per week

		Year			
		2012	2015	2018	2019
Male	15 or less	2,384	2,747	2,998	3,819
	16-25	3,971	4,794	5,042	5,466
	26-35	5,016	5,967	6,692	6,187
	36-40	75,513	85,648	98,072	99,815
	41 or more	22,166	22,006	29,017	34,371
	Total	109,050	121,162	141,821	149,658
Female	15 or less	4,232	5,057	5,164	4,579
	16-25	8,507	10,319	10,118	11,302
	26-35	11,308	14,839	17,771	19,103
	36-40	35,091	40,424	55,459	57,707
	41 or more	4,973	6,521	8,180	10,718
	Total	64,111	77,160	96,692	103,409
Total	15 or less	6,616	7,804	8,162	8,398
	16-25	12,478	15,113	15,160	16,768
	26-35	16,324	20,806	24,463	25,290
	36-40	110,604	126,072	153,531	157,522
	41 or more	27,139	28,527	37,197	45,089
	Total	173,161	198,322	238,513	253,067

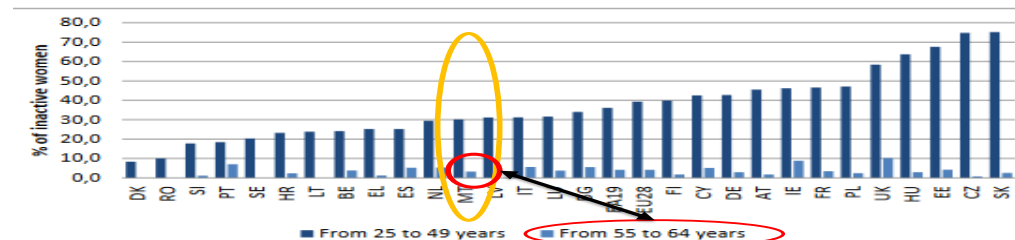
Informal Care in Malta

Inactivity due to looking after children or incapacitated adults or other family and personal responsibilities, 2008-2016(women aged 20-64)



Source: European Semester Thematic Factsheet – Women in the Labour Market, European Commission, 2017

Percentage of inactive women aged 25-49 and 55-64 inactive in 2016 on the grounds that they are looking after children or incapacitated adults



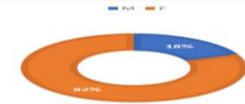
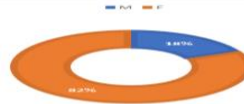
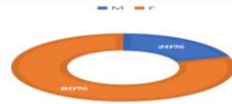
Source: European Semester Thematic Factsheet – Women in the Labour Market, European Commission, 2017

Informal Care in Malta (2)

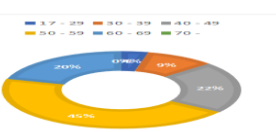
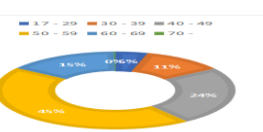
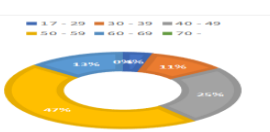
Carer Classification by Gender and Age: Increased Carer's Allowance

Increased Carer's Allowance															
Age Group	2016				2017				2018				2019		
	Female	Male	Total		Female	Male	Total		Female	Male	Total		Female	Male	Total
17 - 29	5	5	10		12	7	19		22	9	31		22	14	36
30 - 39	7	11	18		42	10	52		65	12	77		83	12	95
40 - 49	8	10	18		85	30	115		125	44	169		163	53	216
50 - 59	14	16	30		185	35	220		264	49	313		370	80	450
60 - 69	3	3	6		53	10	63		95	10	105		177	25	202
70 -	0	0	0		0	0	0		1	0	1		1	0	1
Total	37	45	82		377	92	469		572	124	696		816	184	1,000

GENDER



AGE



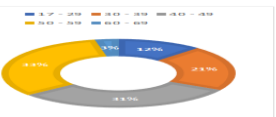
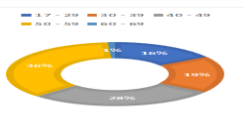
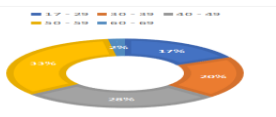
Carer Classification by Gender and Age: Carer's Allowance

Carer's Allowance															
Age Group	2016				2017				2018				2019		
	Female	Male	Total		Female	Male	Total		Female	Male	Total		Female	Male	Total
17 - 29	29	17	46		25	14	39		20	10	30		17	9	26
30 - 39	25	27	52		22	24	46		17	18	35		26	21	47
40 - 49	33	33	66		35	32	67		29	24	53		46	22	68
50 - 59	52	36	88		40	37	77		36	32	68		46	26	72
60 - 69	3	3	6		2	4	6		1	1	2		6	1	7
70 -	0	0	0		0	0	0		0	0	0		0	0	0
Total	149	116	265		124	111	235		103	85	188		141	79	220
	56.23	43.77			52.77	47.23			54.79	45.21			64.09	35.91	

GENDER



AGE



Estimated Projection of Maltese Elderly Population: 2015-2070

	2017	2020	2025	2030	2035	2040	2045	2050	2055	2060	2065	2070
Total Population	475,701	502,630	532,821	552,455	565,007	573,604	580,634	587,829	595,294	601,891	606,236	607,363
61-65	29,396	31,011	30,261	27,528	30,895	35,926	39,343	42,852	44,343	39,033	33,046	32,120
66-70	29,698	28,555	30,415	29,606	27,008	30,326	35,271	38,659	42,146	43,664	38,513	32,688
71-75	22,837	28,313	27,440	29,213	28,510	26,132	29,385	34,204	37,552	41,011	42,563	37,647
76-80	14,060	16,365	25,847	25,166	26,948	26,445	24,407	27,568	32,193	35,487	38,910	40,517
81+	17,228	20,090	24,962	35,736	42,286	47,280	49,617	49,360	52,139	58,877	67,340	76,417

61+ Population	113,219	124,334	138,925	147,249	155,647	166,109	178,023	192,643	208,373	218,072	220,372	219,389
% of Total Population	23.80	24.74	26.07	26.65	27.55	28.96	30.66	32.77	35.00	36.23	36.35	36.12

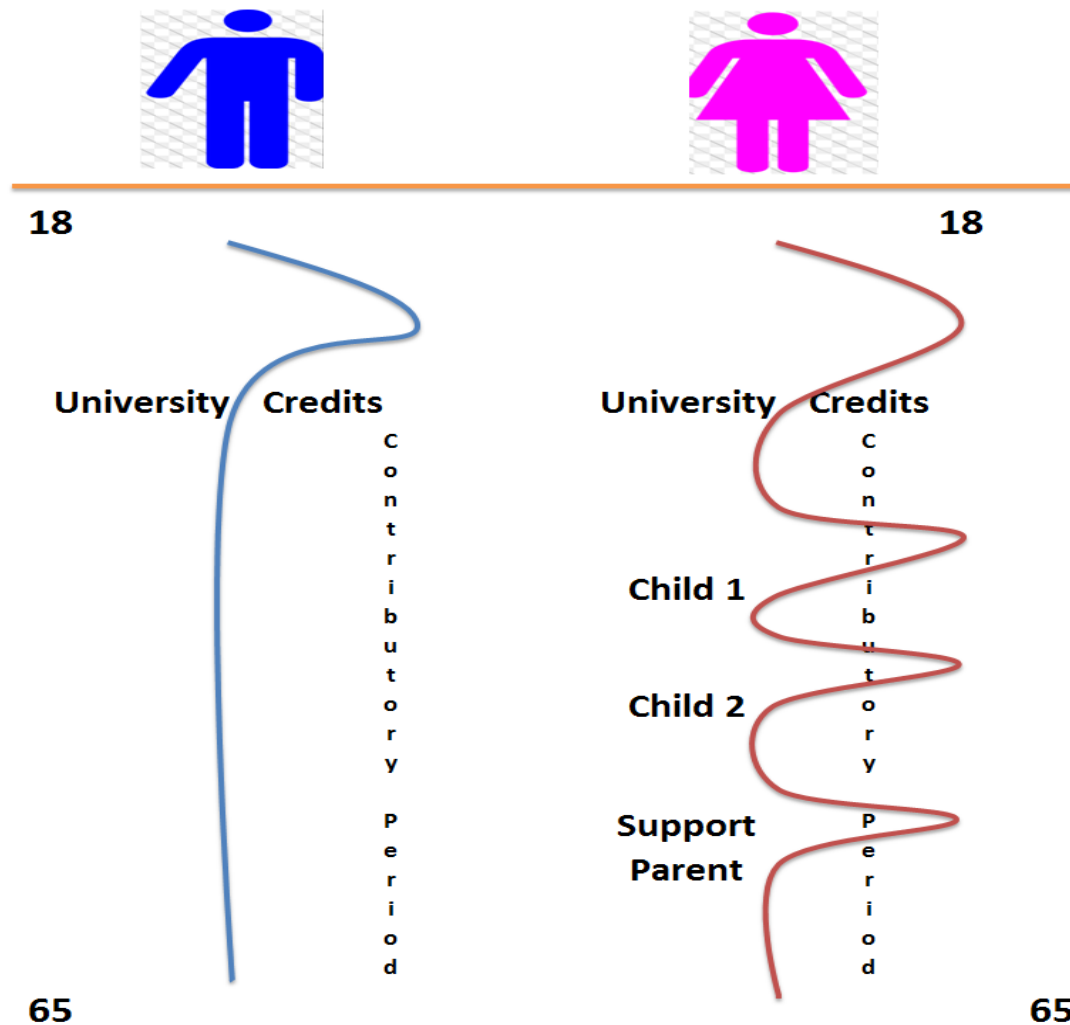
% of Total Population												
61-65	6.18	6.17	5.68	4.98	5.47	6.26	6.78	7.29	7.45	6.49	5.45	5.29
66-70	6.24	5.68	5.71	5.36	4.78	5.29	6.07	6.58	7.08	7.25	6.35	5.38
71-75	4.80	5.63	5.15	5.29	5.05	4.56	5.06	5.82	6.31	6.81	7.02	6.20
76-80	2.96	3.26	4.85	4.56	4.77	4.61	4.20	4.69	5.41	5.90	6.42	6.67
81+	3.62	4.00	4.68	6.47	7.48	8.24	8.55	8.40	8.76	9.78	11.11	12.58

Projected Demand for Informal Care: 2025-2070

Age Cohort	Co-efficient Min	2025	2030	2045	2060	2070	Co-efficient Max	2025	2030	2045	2060	2070
61-65	0.05	1,513	1,376	1,967	1,952	1,606	0.08	2,421	2,202	3,147	3,123	2,644
66-70		1,521	1,480	1,764	2,183	1,634		2,433	2,202	2,822	3,493	2,615
71-75		1,372	1,461	1,469	2,051	1,882		2,195	2,337	2,351	3,281	3,012
76-80		1,292	1,220	1,220	1,774	2,026		2,068	2,013	1,953	3,281	3,241
81+		1,248	1,787	2,481	2,944	3,821		1,997	2,859	3,969	4,710	6,113
		6,946	7,325	8,901	10,904	10,969		11,114	11,614	14,242	17,888	17,625
Increase			378	1,577	2,002	66			500	2,628	3,646	262
Increase on 2005 - %						57.9						58.6

Source: Author's estimation based on the Viitanen, K, T., Informal and Formal Care in Europe, IZA DP No. 2648, 2007 co-efficients
M co-efficient is assumed as minimum of the range, and F co-efficient as the maximum of the range and applied for ages 61 to 100 years

The Gender Pension Journey



Making up for the Gender Gap Deficiencies

Child Rearing Credits

Children	Credits	Severely Disabled Child (with a Disabled Child Allowance)
First Child	2 Years	4 Years
Second Child	2 Years	4 Years
Third Child	2 Years	4 Years
Fourth child and every additional child	1 Year*	2 Years*

Study Credits

	Born between 1952 - 1961	Born in and after 1962
MQF Level	Contribution Credits	Contribution Credits
Level 4	5 credits for each study year	5 credits for each study year
Level 5 - Diploma	9 credits for each study year	9 credits for each study year
Level 6 - BA / BSc	13 credits for each study year	26 credits for each study year
Level 7 - Masters	13 credits for each study year	26 credits for each study year
Level 8 - PhD	26 credits for each study year	52 credits for each study year

Changing Norms

	< 5 yrs.	>= 5 and =< 10	>= 10 and =< 19	+20	Unspecifi ed	Total
	No	No	No	No		
		Total		Total		Total
2006						
2007						
2008	2006	560	2006	560	2006	560
2009	2007	637	2007	637	2007	637
2010	2008	535	2008	535	2008	535
2011	2009	527	2009	527	2009	527
2012	2010	566	2010	566	2010	566
2013	2011	518	2011	518	2011	518
2014	2012	554	2012	554	2012	554
2015	2013	666	2013	666	2013	666
2016	2014	662	2014	662	2014	662
2017	2015	656	2015	656	2015	656
2018	2016	701	2016	701	2016	701

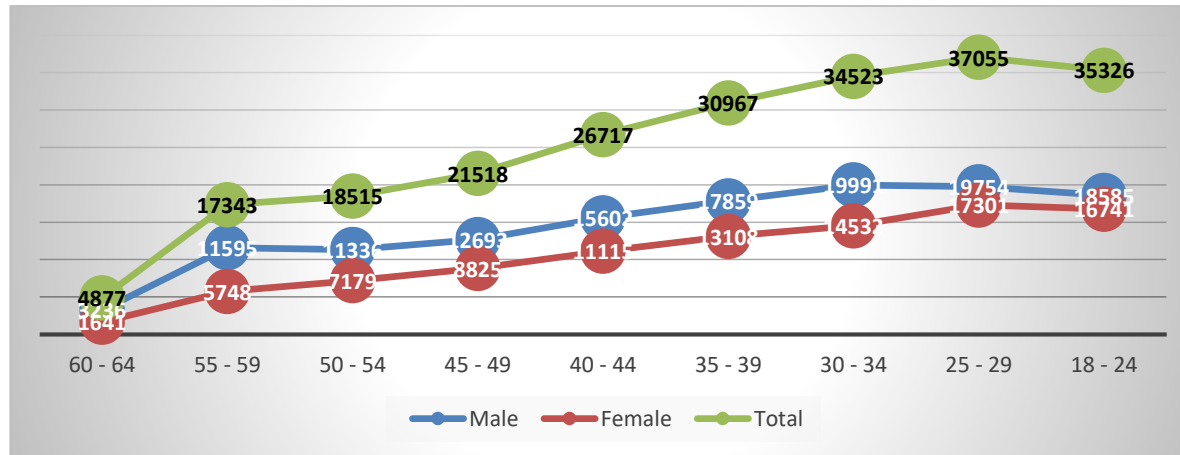
Divorced Persons

	Total
2006	560
2007	637
2008	535
2009	527
2010	566
2011	518
2012	554
2013	666
2014	662
2015	656
2016	701
2017	673
2018	629

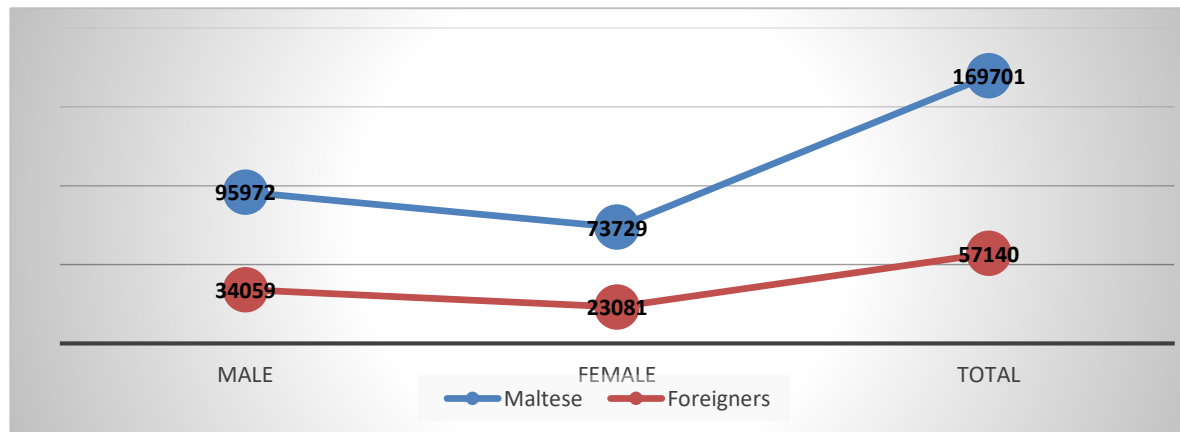
Separated Persons

Social Security Contributor Population

Male and Female Contributor Population in 2018



Male and Female Foreign Workers in 2018



Pensioners

	2004	2005	2010	2015	2017	2018
Retirement Pension	37,850	40,214	56,088	63,498	69,172	69,062
Increase on 2004						82.5%
Invalidity Pension	8,832	8,837	6,529	4,813	4,248	3,996
Increase on 2004						(121.0)
Widow's Pension	14,181	14,385	16,227	17,160	18,247	18,996
Increase on 2004						34.0%

Widows

- Pension belongs to the person who pays the contribution
 - Vested right
 - Widow's pension
 - Survivor's pension
 - Gender equalisation measure
 - Full survivor's pension if female is eligible to a pension in her own right

Women and Pensions

- Exit the labour market before reaching pension qualification period
- Higher representation in tertiary education
- Gaps in contributory period
- Shorter working life
- Higher participation in atypical employment
- Participation in the shadow economy
- Life longer than males, and longevity increasing
- Survivor's pension does not equate to full pension
- Pension impact as a result of divorce and separation



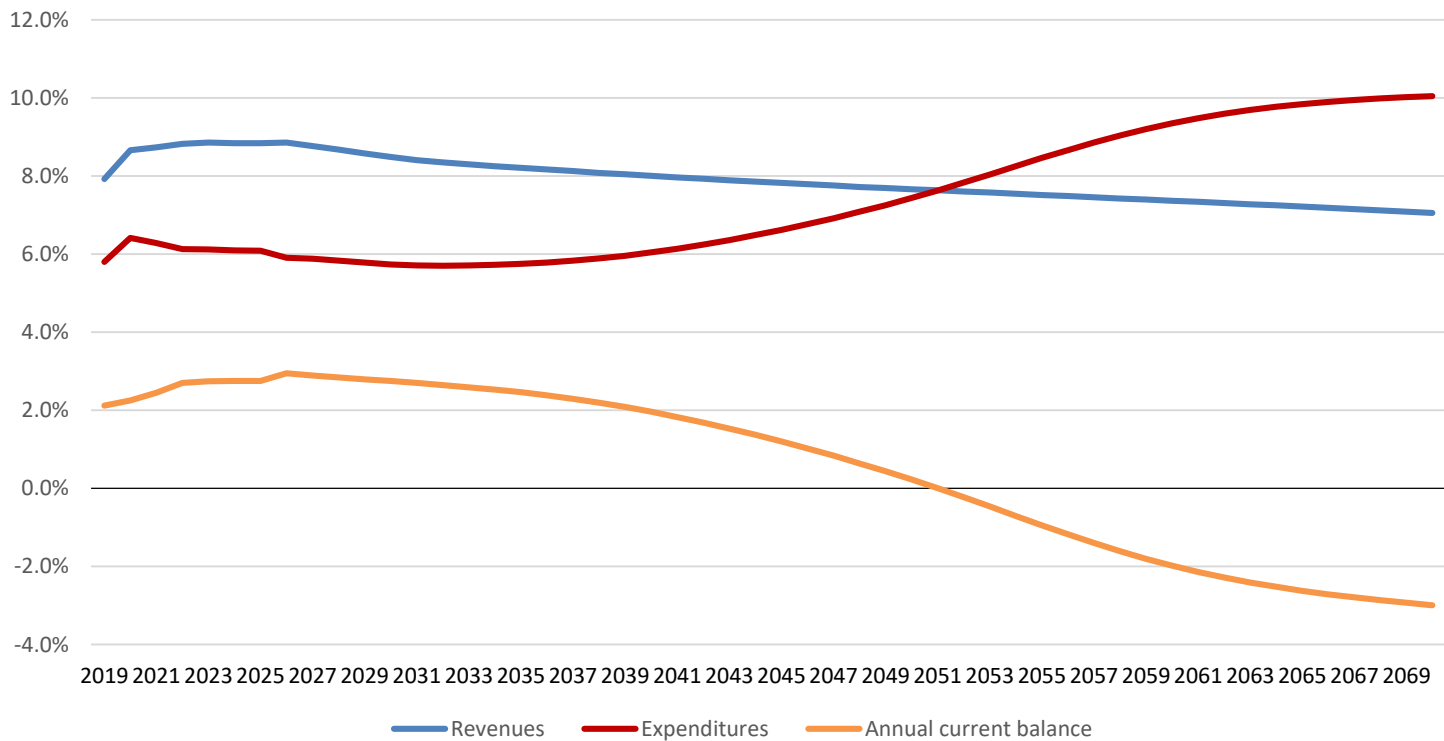
State of Play Today (i)

Notional Pension Fund

		2004	2007	2010	2015	2017	2018
		€000,000	€000,000	€000,000	€000,000	€000,000	€000,000
1	Contributions	295	320	365	489	586	647
2	Direct contribution SSA 1987	147	160	183	245	281	318
3	Additional Contribution				5	2	2
4 = 1+2+3	Total Revenue	442	480	548	739	869	967
5	Invalidity	36	37	29	24	22	22
6	Retirement	201	262	368	445	508	531
7	Bonus	26	29	47	66	72	74
8	Widows	77	90	102	119	134	140
9	Short Term	10	10	11	10	9	8
10	Total Contributory Benefits	351	429	557	664	745	775
11 = 4 - 10	Current Balance	91	52	18	75	124	192
	Increase / Decrease on 2004		(42.85%)	(80.2%)	(17.5%)	36.3%	110.9%

State of Play (ii)

No reform scenario in 2020



State of Play (iii)

No reform scenario – 2020: Adequacy and Sustainability

	2004 WORLD BANK STRATEGIC REVIEW	2010 STRATEGIC REVIEW	2015 STRATEGIC REVIEW	2020 STRATEGIC REVIEW
PROJECTION PERIOD	2050	2060	2060	2070
ADEQUACY	16.0%	46.0%	51.7%	55.0%
PENSION DEFICIT TO GDP	-4.0%	-5.8%	-4.8%	-3.0%

Principles on which the Pension System is to be Based

- 1) Clear definition of the objectives of the pension system.
- 2) Adequate and sustainable pension system sustained by a strong employment policy.
- 3) State pension is a solid foundation, but should not be the only source of retirement income.
- 4) The pension system is rendered socially sustainable by providing for a fair balance between contributions and benefits across generations.
- 5) To remain adequate and sustainable, the pension system needs to evolve and effectively to respond to long term developments.

01. A clear definition of the objectives of the pension system

- Minimum income standard for pensioners on a household basis providing a graduated benefit depending on the benefits, income and in-kind benefits, and services earned by the household: minimum budget approach which would be reviewed as part of the five year strategic review process.
- MPI and the pension income of current pensioners should not be linked only to retail inflation but also to wage inflation: replace the current CA pension re-assessment.
- Separate the poverty alleviation function from the contributory insurance system - a single rate pension coupled with a dependent pension top-up, with the latter being treated as a non-contributory benefit to be financed from general taxation.
- The [retirement and financial](#) capability platform must be institutionalised and provided with a more substantive budget.

02. An adequate and sustainable pension system sustained by a strong employment policy

- Women to leave the workforce to provide long-term care, still relevant and will increase as the demand for care for the elderly services will increase as the population ages. Need to develop a strategy to ensure that long-term care does not reduce female labour participation. The same vigour and resources devoted to boosting childcare need to now be devoted for long-term care
- number of persons employed who are aged 55 to 63 has increased despite the possibility to exit the labour market at 61 years - momentum achieved in this regard is to be maintained; and improved upon if possible.
- Participation in the labour market continues to be poor is that of persons aged 65 years and over. Incentive mechanisms to attract such persons to remain active are to be introduced
- Up-skilling and re-skilling of older workers needs to be strengthened. This will require more flexible educational solutions, including training courses organised in close cooperation with employers

Principle 3: The state pension should constitute a solid foundation, but it should not be the only source of retirement income

- Strong case to replicate overseas experiences where VORPS are designed to counter behavioural heuristic triggers, which should exclude persons in low income employment
- Buying a property and saving for retirement should not be seen as conflicting objectives but rather as complementary goals
- Persons should be enrolled in VORPS
- Fiscally incentivised pathways should be introduced to attract persons to migrate investments in products that are not retirement pension plan products on maturity into PPS
- Fiscally incentivised pathways should be introduced to allow parents to invest for their children's retirement
- Effectiveness of the new home equity release products regulation is to be monitored

Principle 4: The pension system is rendered socially sustainable by providing for a fair balance between contributions and benefits across generations

- Principle presented in the 2015 review to establish a ratio of contribution years to expected benefit years should be maintained
- Principle presented in the 2015 review that the change in contribution accumulation period is done within the framework of the 5 yearly strategic reviews should be maintained

Principle 5: To remain adequate and sustainable, the pension system needs to evolve and effectively to respond to long term developments

- Principle presented in the 2015 review -- that the pension system is to reflect emerging employment patterns and atypical employment be established at law
- Impact of family separation and divorce on pension entitlements too needs to be addressed
- Retain the five year review
- Reviews need to be better focused and set out more clearly in the legislation, while a permanent standing commission reporting to the House of Representatives could help generate the cross-party consensus needed in this area

Questions

