

The GEMMA Survey on Pensions – May 2021



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MINISTRY FOR THE FAMILY,
CHILDREN'S RIGHTS AND SOCIAL SOLIDARITY

Brief

- This report presents the findings of a research exercise conducted among the local population to attain an understanding of their awareness on pensions.
- The research study was carried out between the first 2 weeks of May 2021.

The following factors were tackled in this study; respondents' awareness regarding:

- The social security contribution that they pay government;
- Pensionable income;
- The number of contributions they need to pay to qualify for a full pension;
- Potential factors affecting their pension;
- Pension age and early retirement age;
- How early retirement effects one's pension;
- Potential credit allowances

The survey also sought to determine how confident respondents were that they would be financially secure in retirement.



Executive Summary

Executive Summary

The research has evidenced that:

- Overall, 28% of respondents indicated to be knowledgeable of the social security contribution that they pay government (NI contributions).
- The research has also evidenced that respondents knowledge rated high in terms of:
 - The contribution they pay on their gross wage - 71% correct responses.
 - Total contributions needed to qualify for a full pension.

Irrespective of their year of birth, respondents were of the opinion that one had to make a total of 40 contributions to qualify for a full pension. 64% of those born between 1962 and 1968 rightly noted '40 contributions', with 4% of those born in 1969 and after indicating 41 contributions, this being the correct reply.

- Their awareness that if they have paid 25 years of contributions, they will receive a pro-rata pension - 56% correct responses.

Executive Summary

- Conversely, respondents' knowledge fared poorly in terms of:
 - What the maximum income cap on which one pays his/her contribution was - 4% correct responses.
 - No one knew the formula for calculating how the maximum pensionable income increases annually.
 - The number of contributions one had to pay in a year - 17% were able to correctly indicate correctly (with another 24% partially indicating the correct answer when indicating 52 weeks contributions).
 - The number of years of contributions to qualify for a pension - 9% rightly noted this.
 - Awareness of what needs to be done, should respondents have gaps in their contributory period - Only 1% of respondents replied correctly.
 - Awareness how their pension is calculated. 19% of those born between 1962 and 1968 rightly noted that it was calculated on the 'best 10 out of the last 40 years'. None of those born in 1969 and after noted that it is based on the 'best 10 out of the last 41 years'.

Executive Summary

- Respondents' knowledge fared poorly in terms of:
 - Awareness what a credit to their contribution history is - 2% gave the correct reply.
 - Awareness of their entitled child care credit (up to age of 6 as maximum and 10 in the case of severely disabled) - 8% positive responses.
 - Awareness of what their credit entitlements are in terms of the number of kids - 2% correct responses.
 - Awareness of their credits entitlement if they successfully graduated in further and higher education - 12% indicated to be aware, though only 4% of this cluster (or 0.5% of the total sample) correctly noted what such credit entitlement was.
 - Awareness of what the contributory social security system will provide them with should their spouse pass away before their retirement - 3% correct replies
 - Awareness of the contributory social security system they will receive if their spouse passes away whilst in retirement and they are over 61 years of age and eligible for a pension in your own right - 1% correct replies
 - Awareness of the pension age - 49% correct responses
 - Awareness of the criteria for one to retire - 30% of those born between 1962 and 1968 correctly noted that one needed to be 61 years of age and have 40 years of contributions. 20% of those born in 1969 and after also gave this response, even though the number of yearly contributions in their case should be 41. (Only 2% of this cluster correctly noted so).

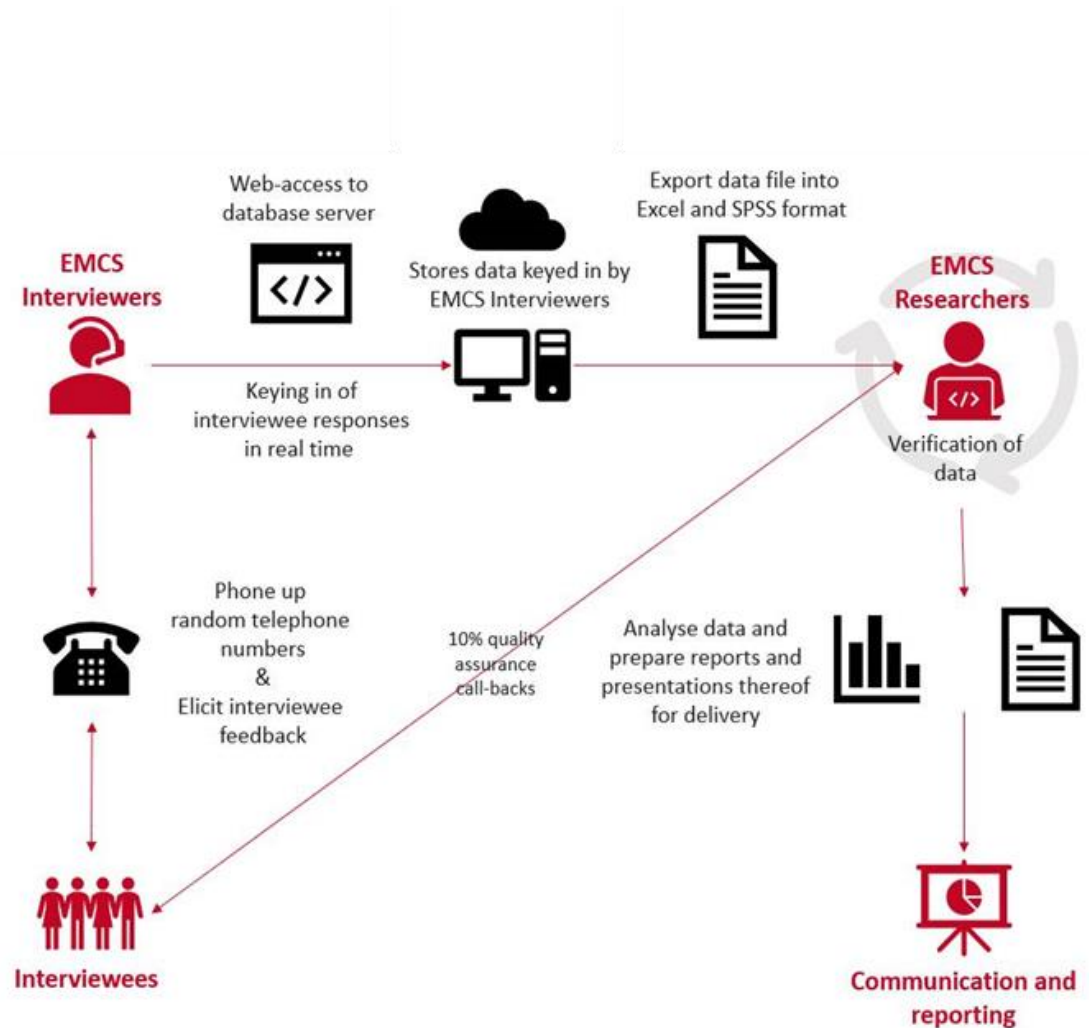
Executive Summary

- Furthermore
 - When given a number of options, should they choose to retire early, 11% correctly noted that they could not work at all until they reach pension age.
 - When given a number of options, this time should they decide not to opt for early retirement, 9% correctly noted that they 'will be boosted by an increase of 23% on their pension income if they work till 65 years of age and their spouse will continue to benefit from this increase following their death'.
 - When given a hypothetical scenario – that their average basic salary was €26,258 and they had paid all of their social security contributions, correct responses was minimal (2%). That said, 21% have a vague idea of what the pension entitlement would be, having indicated that it would be 2/3 of an amount (though they got the amount/ maximum capping wrong).
 - No variance was observed when analysing data by gender.
- Also
 - 8% of respondents noted that they have tried to work out how much income they will need in retirement.
 - 23% of respondents felt confident that they will be financially secure in retirement. Conversely, 33% were not confident. A review of responses by age evidences that the highest age cohort are least confident (49%).

Methodology

Methodology

- Data was collected through CATI (Computer Aided Telephone Interviews)
- A total of 406 completed surveys were collated and analysed.
- The sample is representative of Maltese population in terms of gender, age (18 and 59) and location of residence in line with the latest National Statistics Office (NSO) data on the demographics of the local population (*Regional Statistics Malta, 2017 – page 27*).
- Only one person per household was interviewed.
- Margin of error +/- 5% at 95% confidence interval

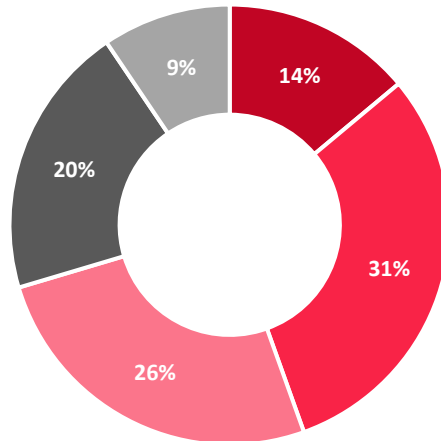


Sample size

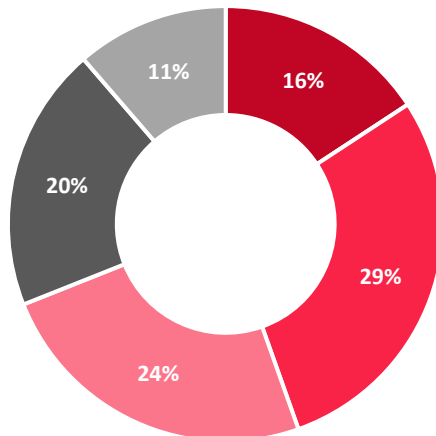
Sample

Gender/ Age

Local Demographics
 Data extracted from
 NSO Publication:
 Trends in Malta 2016



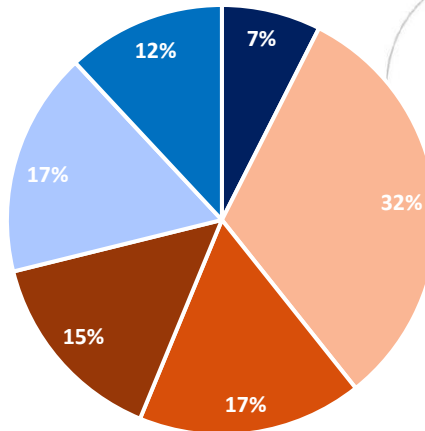
**Sample
 Demographics**



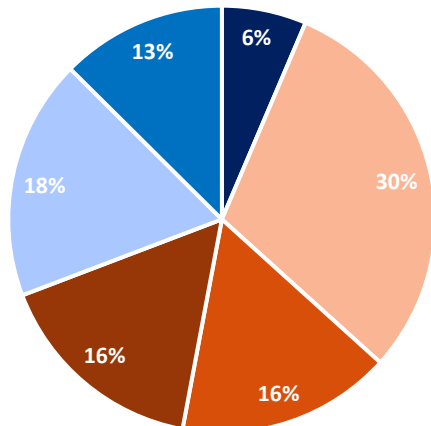
- A total of 406 surveys were collated throughout the first two weeks of May 2021 through computer-aided-telephone-interviews (CATI).
- The sample represents a 95% confidence level and a confidence interval of 5%.
- In terms of gender, the sample is split as follows: 51% males and 49% females.
- As illustrated here, the sample size is also representative of the local population in terms of age.

Sample

Local Demographics
 Data extracted from
 NSO Publication:
 Trends in Malta 2016

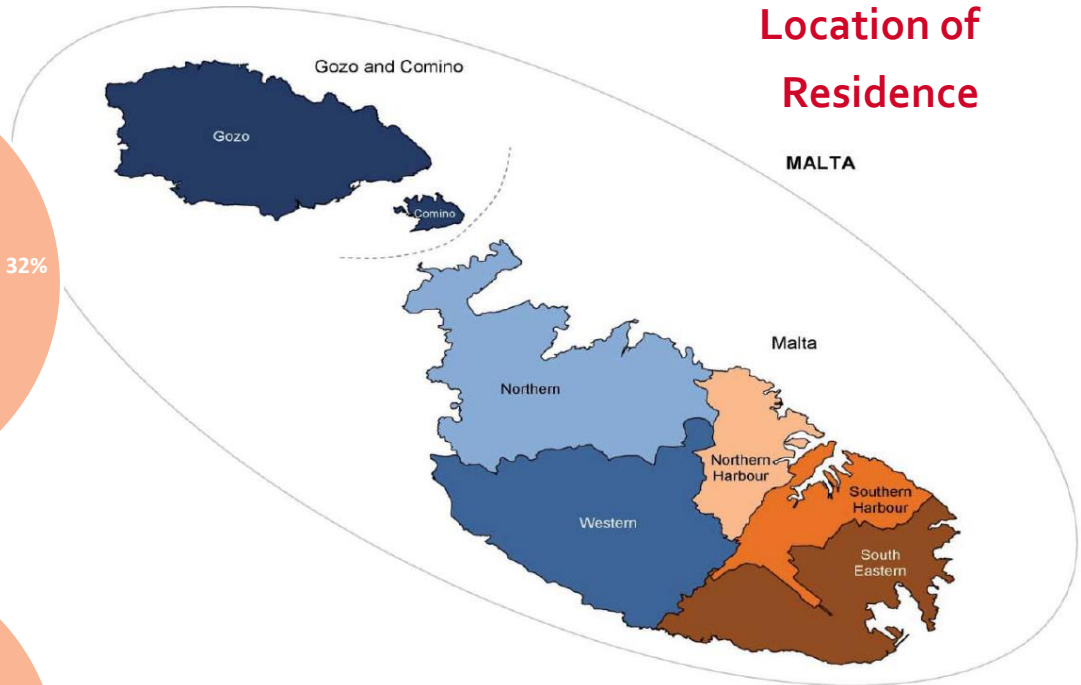


Sample Demographics



■ Gozo
 ■ Southern Harbour
 ■ Northern Region
 ■ Northern Harbour
 ■ South Eastern
 ■ Western Region

Location of Residence



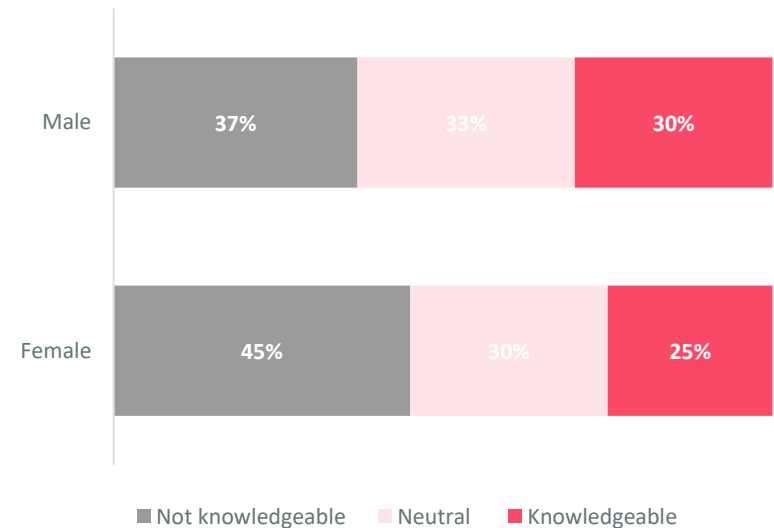
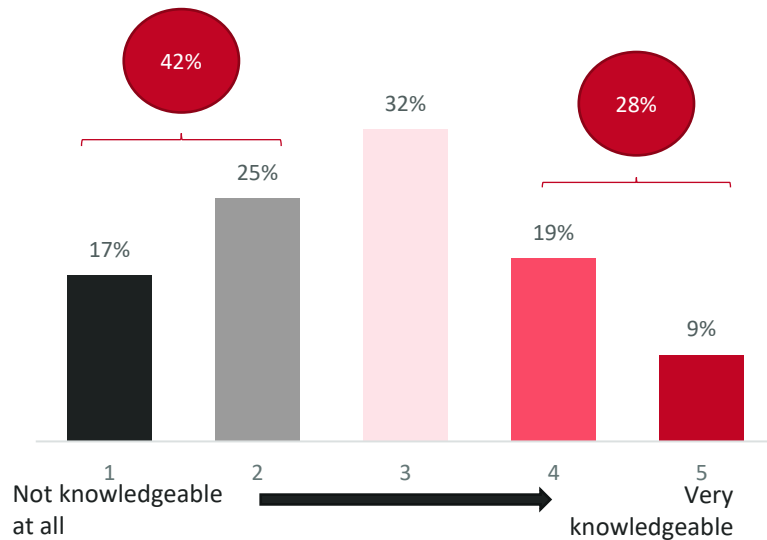
- The research sample collated is also representative of the local population in terms of the location of residence of the respondents.

Survey results

Knowledge on the social security contribution

On a scale from 1 to 5, how knowledgeable are you of the social security contribution that you pay government? (NI contributions) (1 indicates not knowledgeable at all, while at the other end of the scale 5 indicates that you are very knowledgeable)

Sample Size: 406

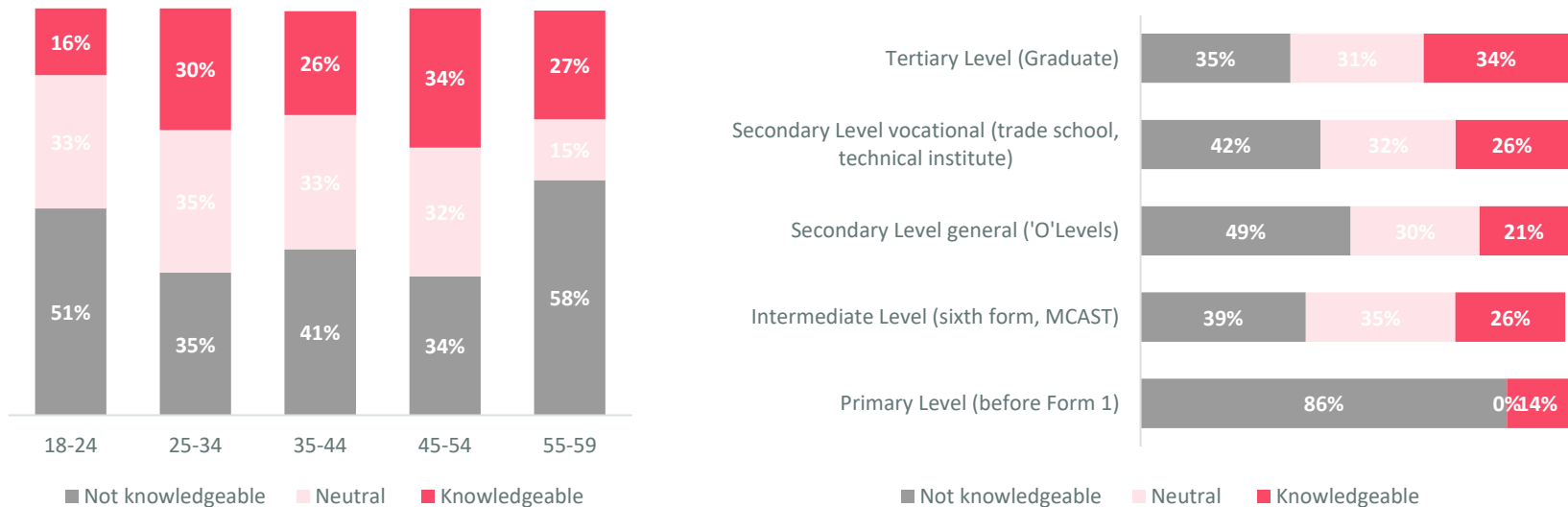


- 28% of respondents felt that they were knowledgeable (of which 9% felt that they were very knowledgeable).
- Conversely, 42% felt that they were not knowledgeable
- Males felt marginally more knowledgeable than females.

Knowledge on the social security contribution

On a scale from 1 to 5, how knowledgeable are you of the social security contribution that you pay government? (NI contributions) (1 indicates not knowledgeable at all, while at the other end of the scale 5 indicates that you are very knowledgeable)

Sample Size: 406

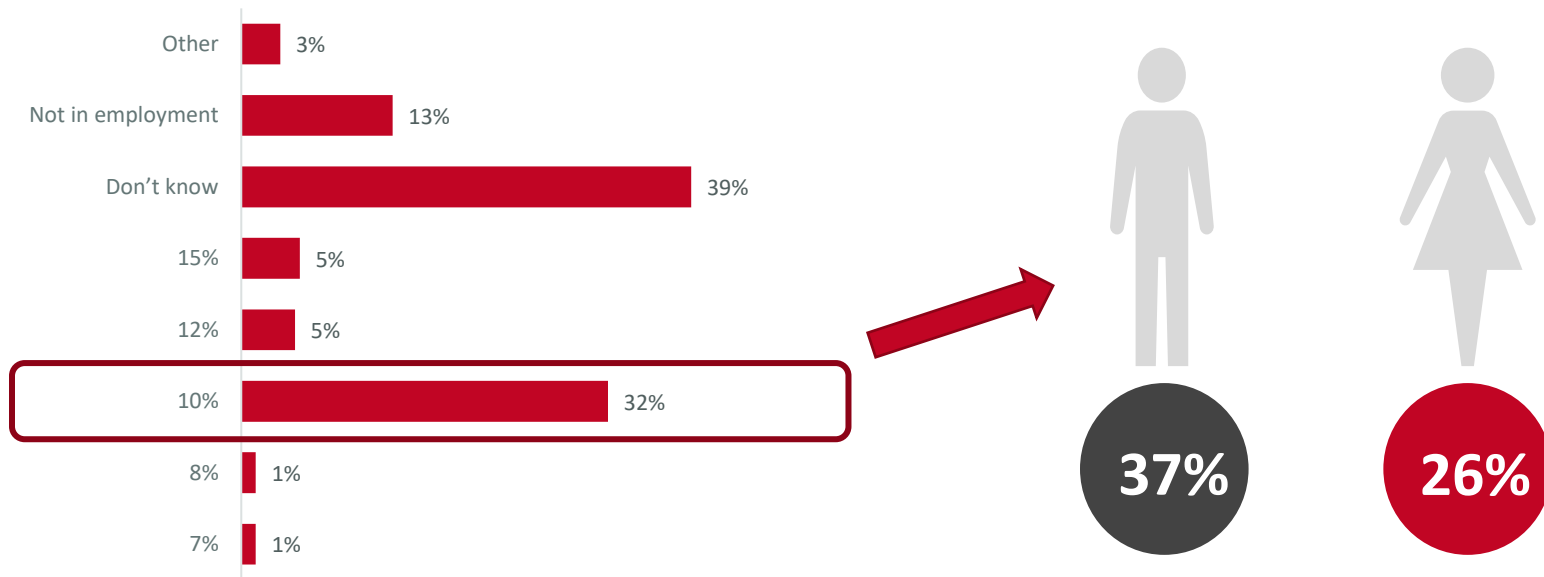


- 16% of those aged 18 to 24 indicated to be knowledgeable, this being the lowest percentage of the various age cohorts.
- 58% of those aged 55 to 59 indicated being 'not knowledgeable'.
- Tertiary educated individuals felt most knowledgeable. Conversely, those that had only completed primary education felt least knowledgeable.

Knowledge on the social security contribution

If you answered 3, 4, 5 - and are in current employment can you please indicate what percentage of social security contribution do you pay government

Sample Size: 235

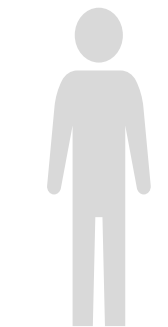
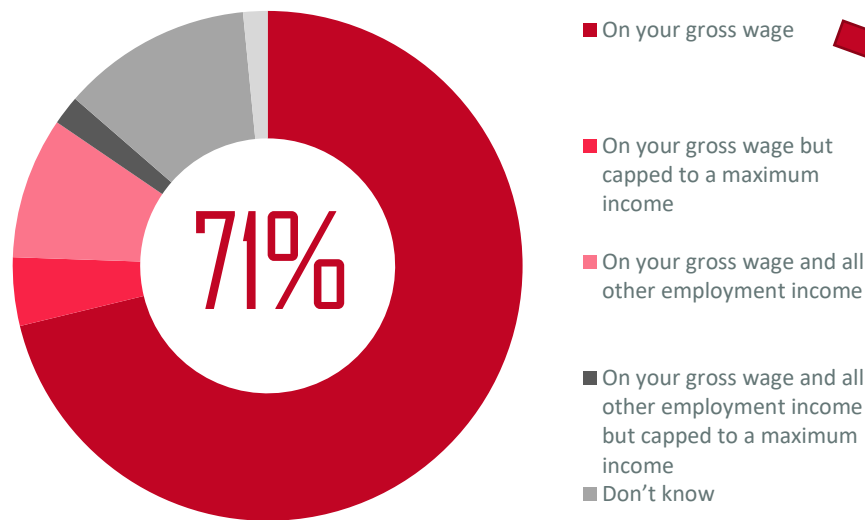


- 32% of those that gave themselves a score of 3 or more, correctly indicated the percentage of social security contribution that they pay government
- Males were more inclined to know the correct answer.

Knowledge on the social security contribution

If you are employed the contribution you pay is

Sample Size: 323



73%



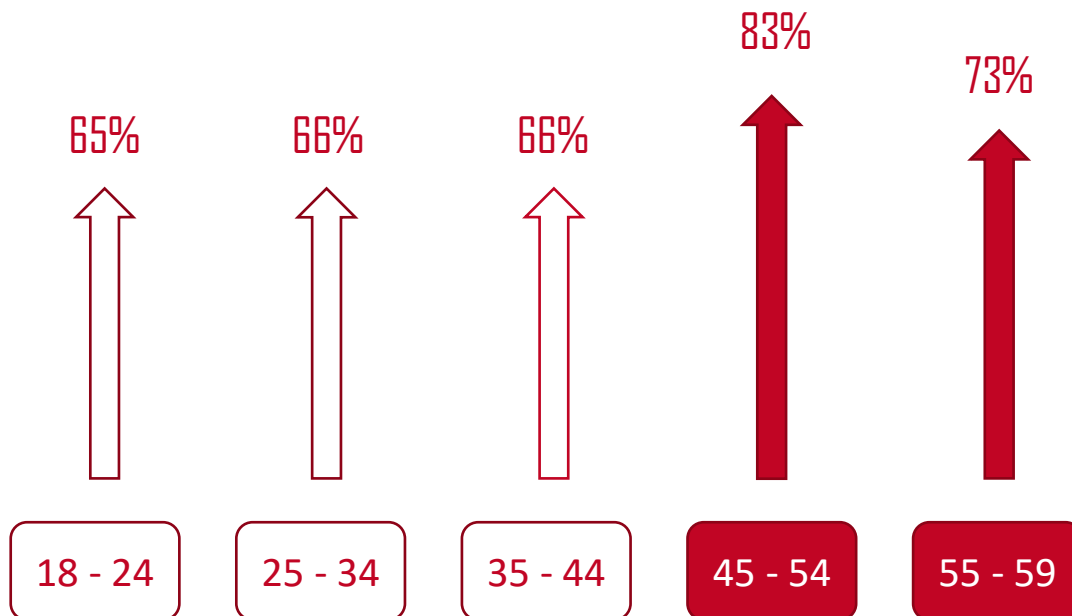
69%

- 71% correctly noted that the contribution they pay is calculated on their gross wage.
- A marginally higher percentage of males indicated the correct answer.

Knowledge on the social security contribution

If you are employed the contribution you pay is... **on the gross wage**

Sample Size: 323

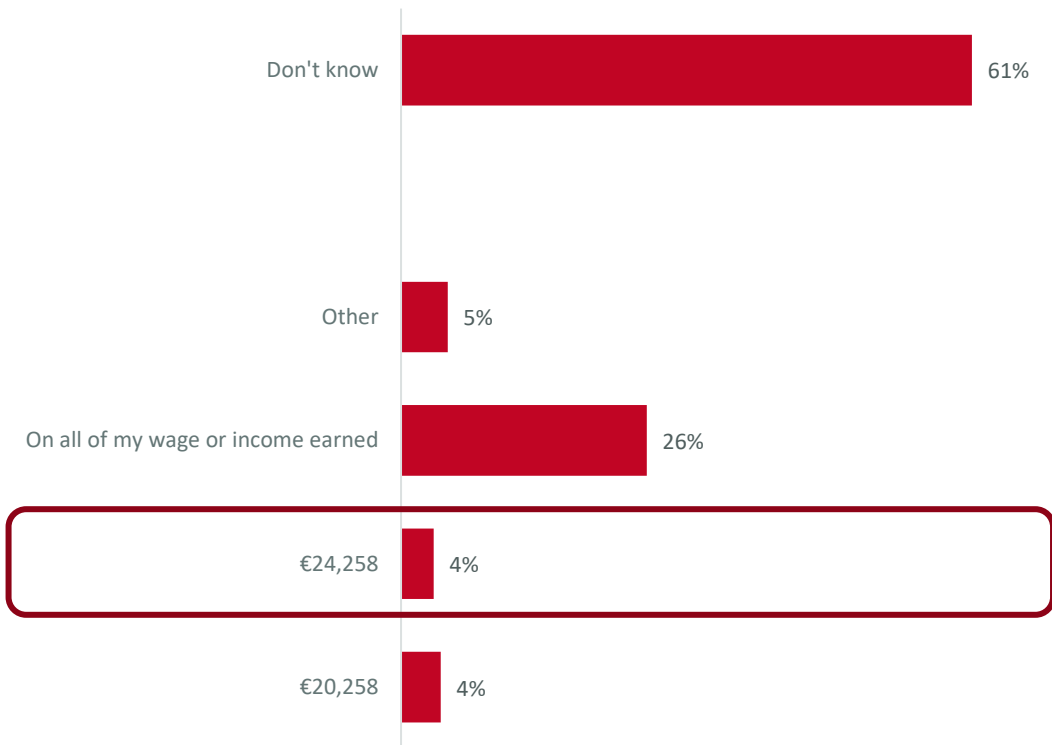


- Those aged 45 and over are more inclined to know that that contribution they pay is based on the gross wage.
- A marginally higher percentage of males indicated the correct answer.

Knowledge on the social security contribution

What is the maximum income cap on which you pay your contribution?

Sample Size: 406

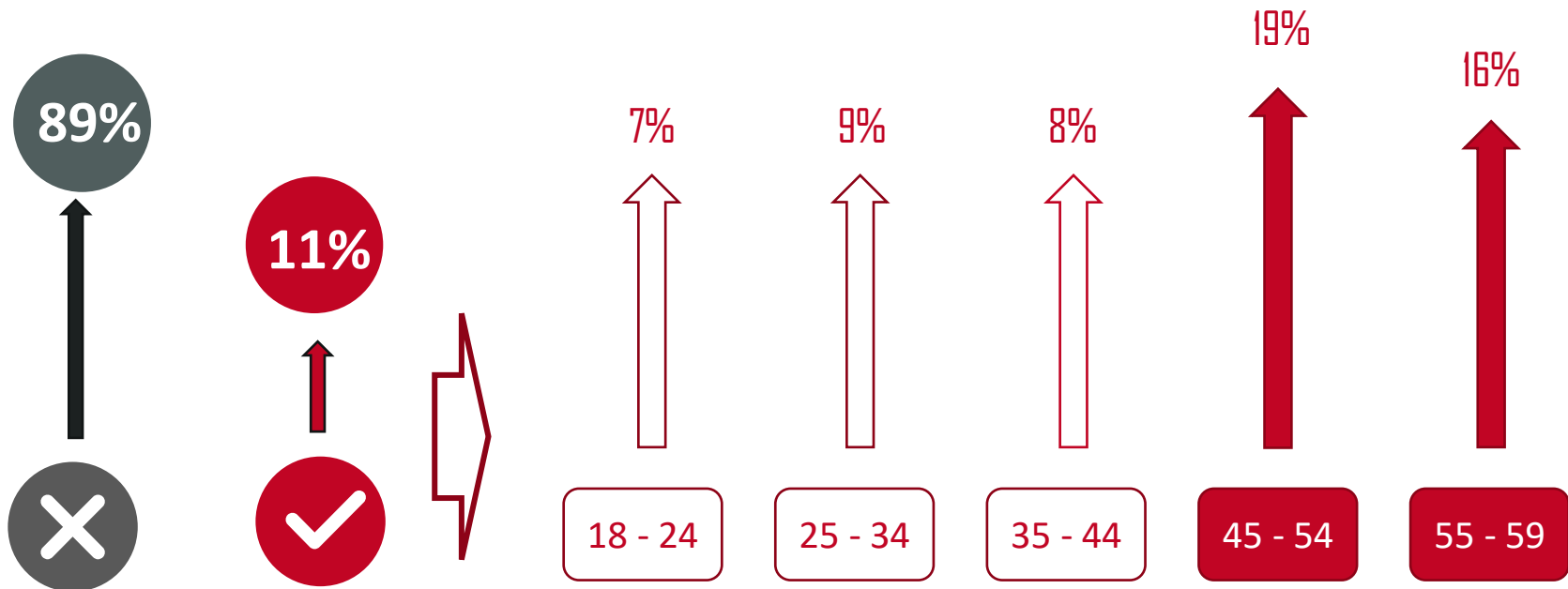


- 61% were not able to indicate the maximum income cap on which one pays contribution, while 35% noted the wrong figure.
- 4% gave the correct reply.

Maximum pensionable income

Are you aware on what basis the maximum pensionable income increases annually?

Sample Size: 406



- 11% are aware on what basis the maximum pensionable income increases annually.
- Awareness among those aged 45 and 59 is double those aged 44 and lower.
- No variance was observed when analysing data by gender

Pensionable income

The maximum pensionable income increases annually on the basis of the following formula

Sample Size: 406

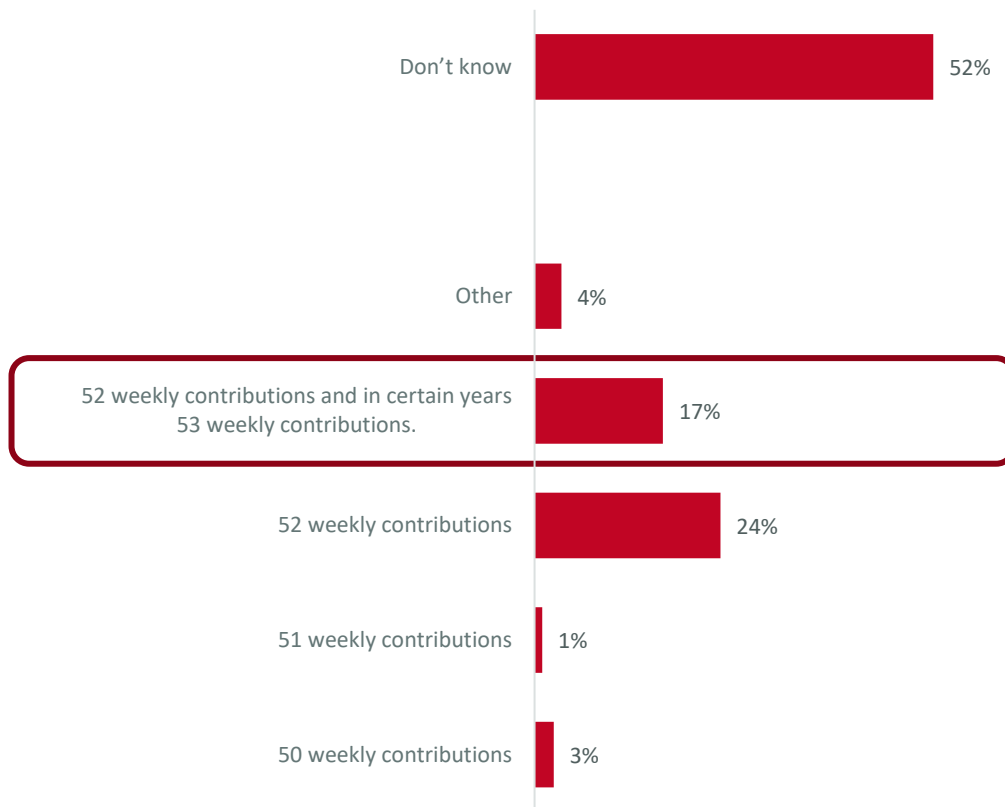


- None of the respondents gave the correct reply.
- 92% of respondents were not able to indicate on what basis formula the maximum pensionable income increases annually.
- 8% indicated the wrong formula

Contributions paid

The number of contributions you have to pay in a year are:

Sample Size: 406



- 17% indicated the correct answer.
- That said, with 24% indicating 52 weekly contributions, such individuals were partially correct.
- No noticeable variances were observed when analysing responses by gender.

Contributions paid

The number of contributions you have to pay in a year are:

Sample Size: 406

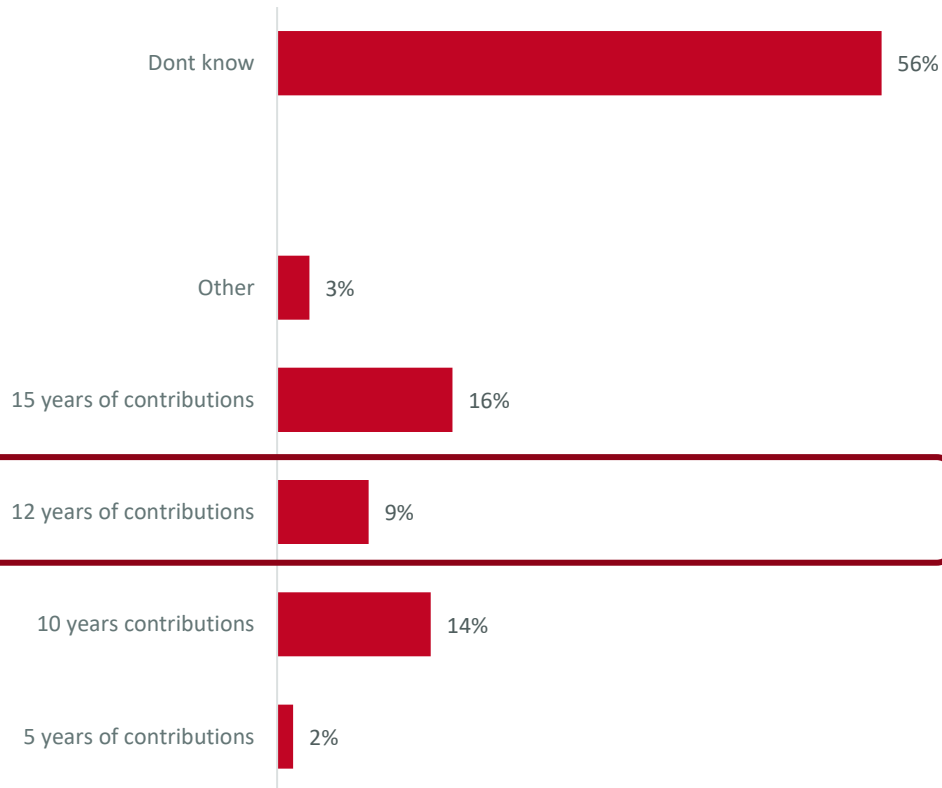


- 75% of those aged 18 to 24 indicated 'don't know'.
- Conversely, those aged 45 to 54 are the most knowledgeable cohort, and the least to indicate 'don't know'.

Pension

To qualify for a pension you must be in possession of:

Sample Size: 406



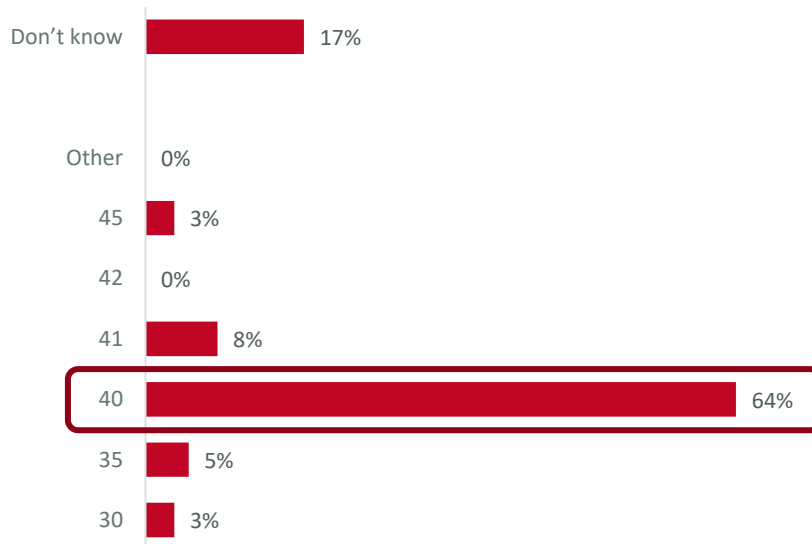
- 9% rightly indicated that to qualify for a pension one must be in possession of 12 years of contributions. No variance was observed when analysing correct responses by gender.
- 56% indicated 'don't know'
- 35% gave the wrong answer.

Pension

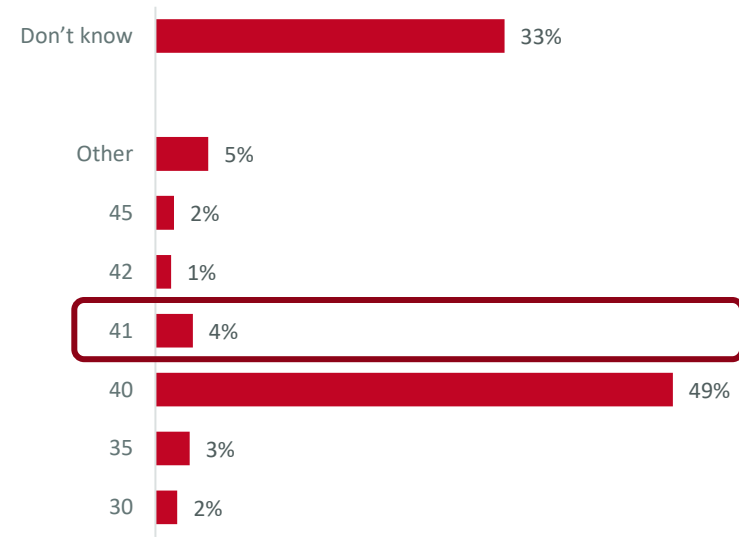
How many contributions do you need to pay to qualify for a full pension?

Sample Size: 406

Year of birth: 1962 - 1968



Year of birth: 1969 and over

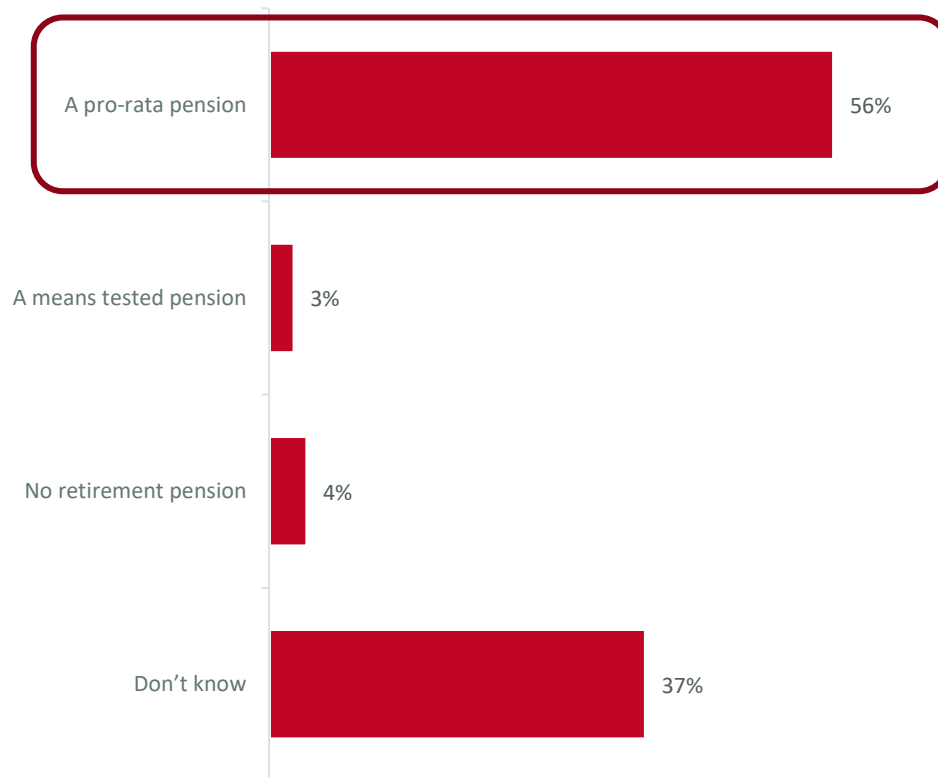


- Irrespective of their year of birth, respondents were of the opinion that one had to make a total of 40 contributions to qualify for a full pension.
- 64% of those born between 1962 and 1968 rightly noted '40 contributions'. A total of 17% indicated 'don't know', while 19% gave an incorrect answer.
- 33% of those born in 1969 and after indicated 'don't know', with 4% indicating 41 contributions, this being the correct reply.

Pension

If you have paid 25 years of contributions you will receive...

Sample Size: 406

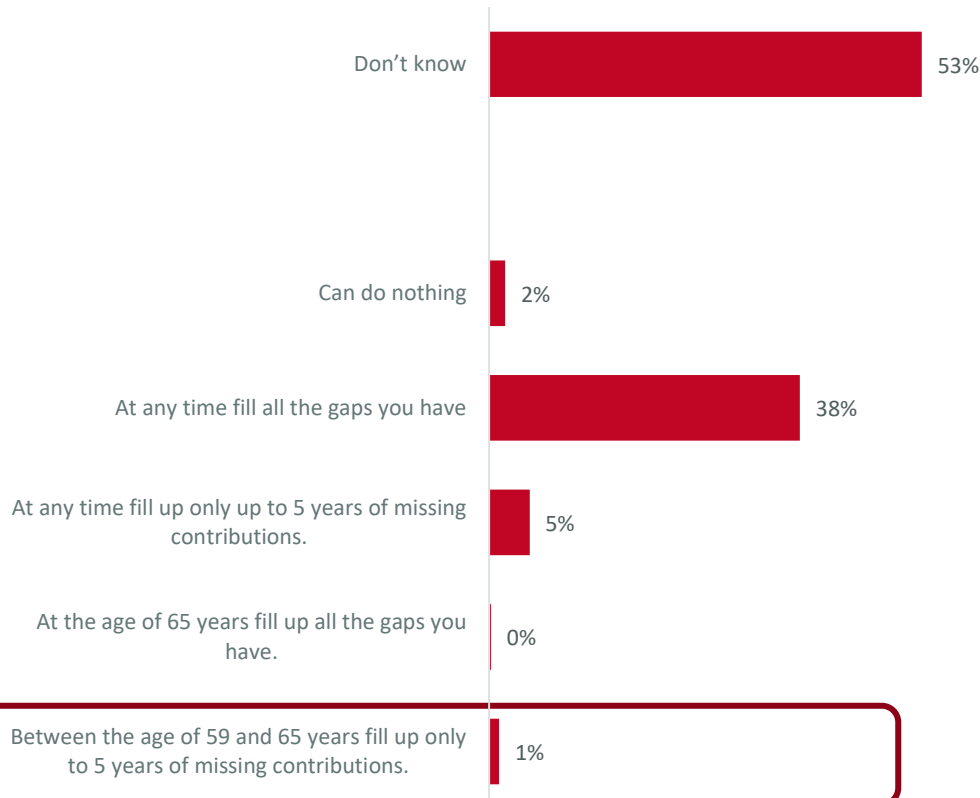


- 56% rightly indicated that if one paid 25 years of contributions they would receive a pro-rata pension.
- 37% indicated 'don't know'.
- 7% gave the wrong reply.
- No variance was observed when analysing data by gender.
- No noticeable variances were observed when analysing data by age either.

Pension

If you have gaps in your contributory period you

Sample Size: 406

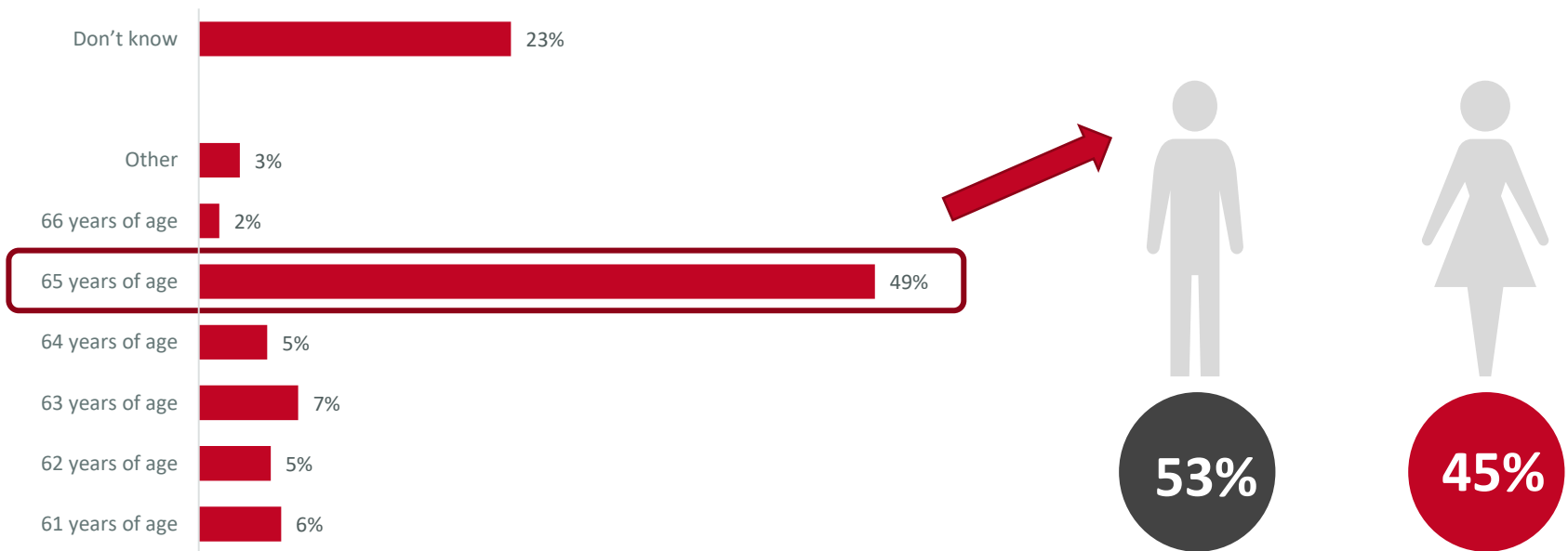


- 1% gave the right response, that being *'between the age of 59 and 65 years fill up only to 5 years of missing contributions'*.
- 53% indicated 'don't know', while 46% gave the wrong answer.
- No variance was observed when analysing data by gender.

Pension age

At what age will you reach pension age?

Sample Size: 406



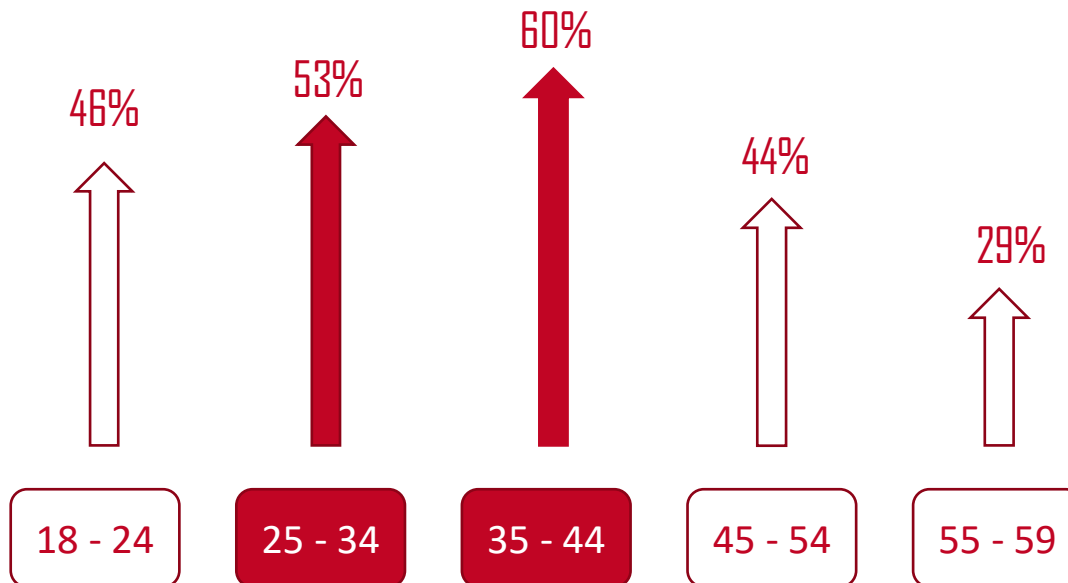
- 49% of respondents rightly indicated 65 years as the pension age.
- 23% indicated 'don't know'.
- A marginally higher percentage of males gave the correct answer.

Pension age

At what age will you reach pension age?

Sample Size: 406

65 years of age



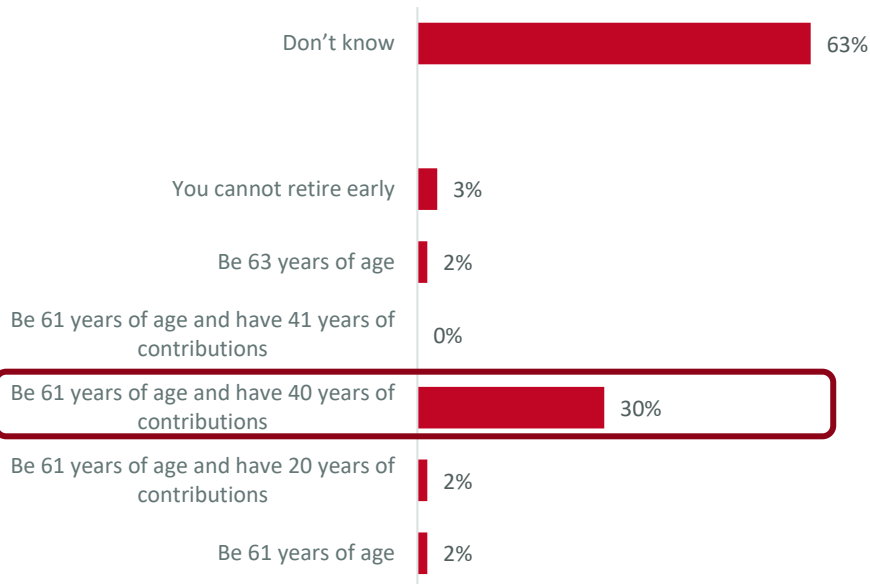
- Marginal variances were observed when analysing data by age, with those aged 35 – 44 most aware of the pension age, followed by those age 25 to 34.
- With 29% correct replies, those aged 55 – 59 were least knowledgeable.

Retirement

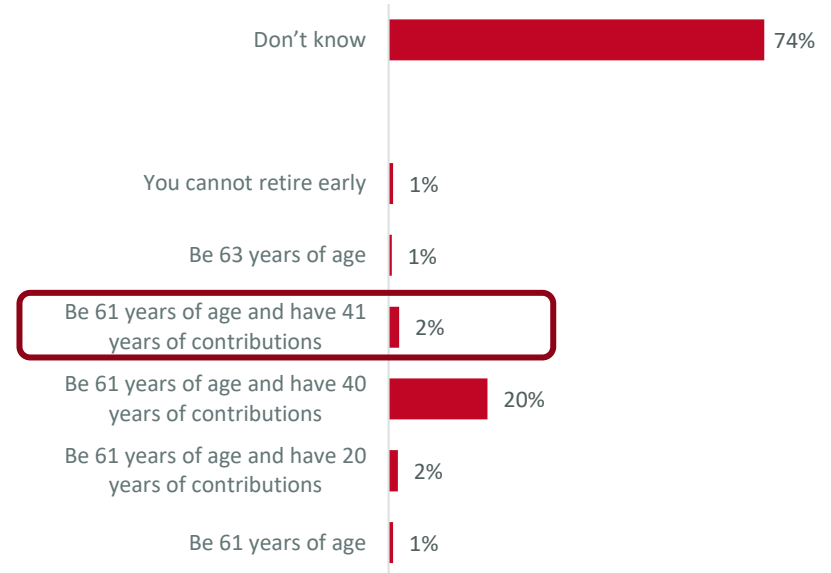
To retire early you must

Sample Size: 406

Year of birth: 1962 - 1968



Year of birth: 1969 and after

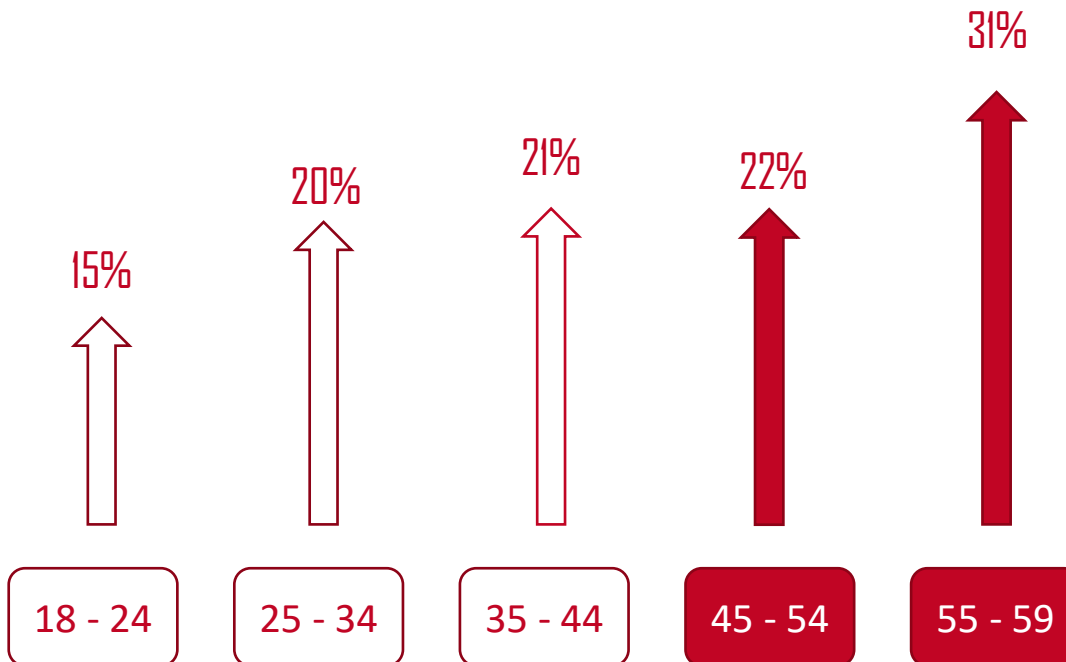


- The majority of respondents were unable to reply to this question.
- 30% of those born between 1962 and 1968 gave the correct answer as did 2% of those born in 1969 and after.
- Similar responses were given irrespective of the year of birth.

Retirement age

To retire early you must

Sample Size: 406

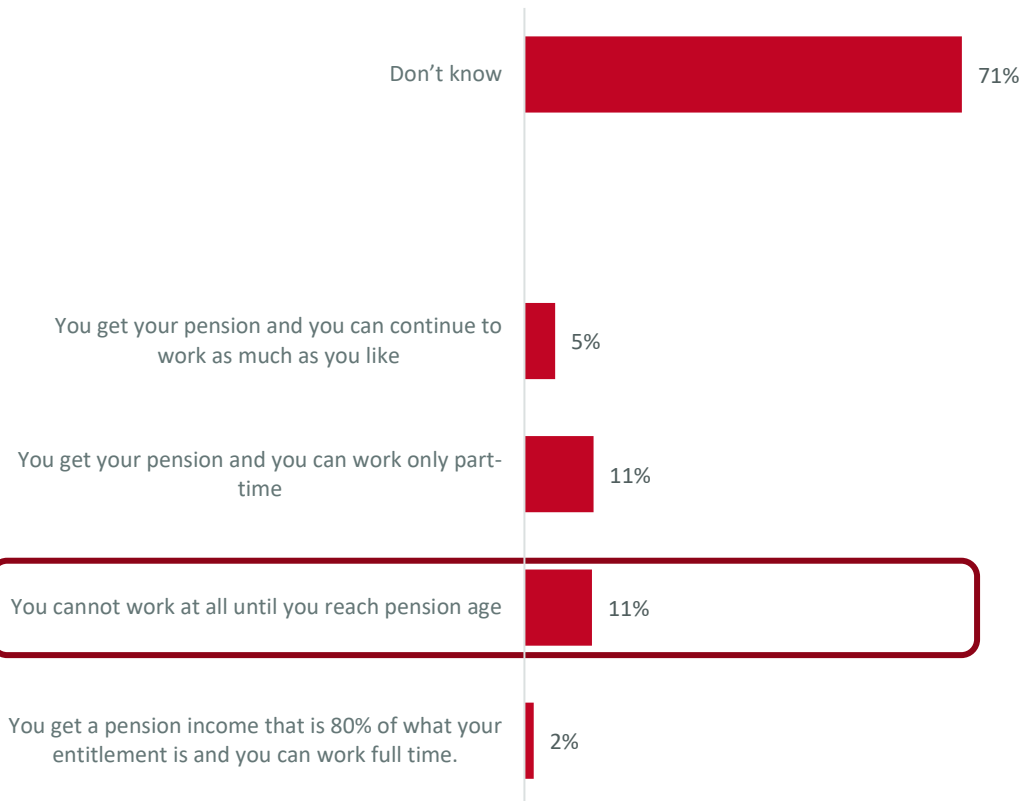


- Variances were observed when analysing data by age.
- Those aged 18 to 24 were least knowledgeable with 15% giving the correct response, with correct responses increasing with age.

Early retirement

If you chose to retire early

Sample Size: 406

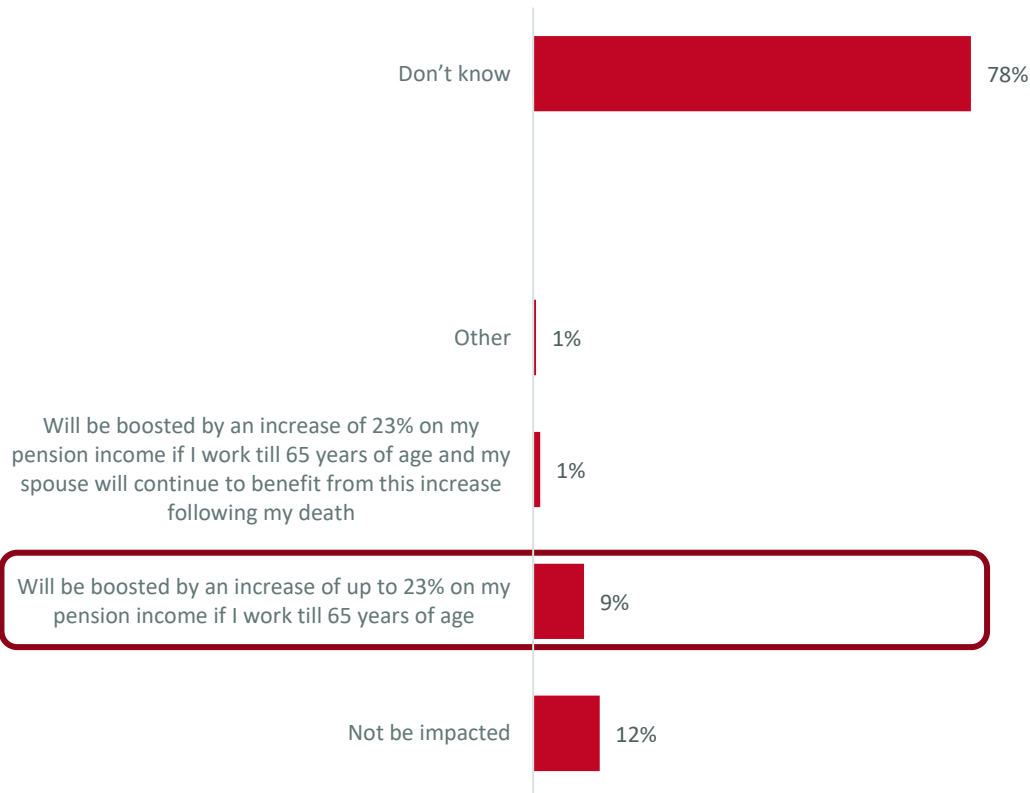


- 71% were unable to reply to this question.
- 11% gave the correct answer that being '*you cannot work at all until you reach pension age*'.
- No variance was observed when analysing data by gender.
- Minimal responses does not enable analysis of responses by age.

Retirement

If you decide not to opt for the early retirement option your pension will:

Sample Size: 406



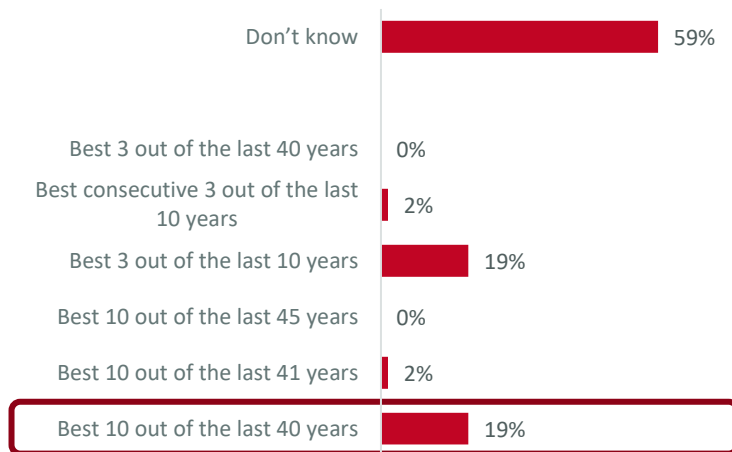
- 78% were unable to reply to this question.
- 9% gave the correct answer, that being that the pension *'Will be boosted by an increase of 23% on my pension income if I work till 65 years of age and my spouse will continue to benefit from this increase following my death'*.
- Minimal responses does not enable further analysis.

Pension calculation

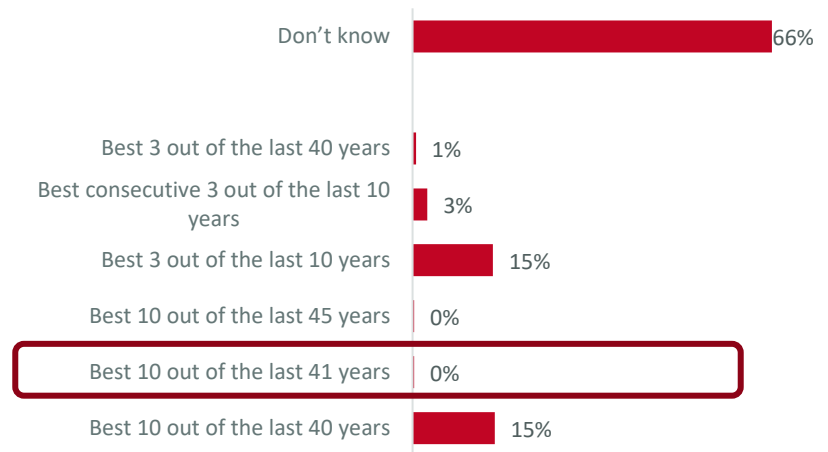
Your pension will be calculated as follows:

Sample Size: 406

Year of birth: 1962 - 1968



Year of birth: 1969 and after

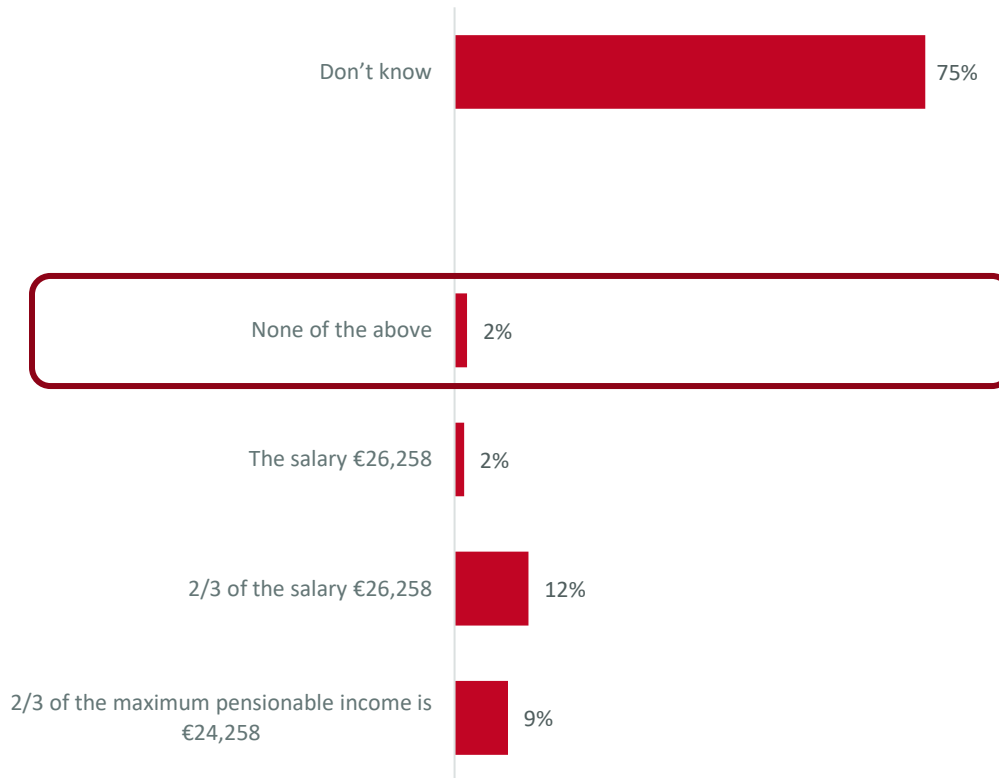


- The majority of respondents were not able to reply to this answer.
- Furthermore, irrespective of their year of birth, responses were similar.
- 19% gave the correct answer, that being that the pension will be calculated as follows '*Best 10 out of the last 40 years*'.

Pension calculation

Your average basic salary is €26,258 and you have paid all of your social security contributions – your pension entitlement is:

Sample Size: 406

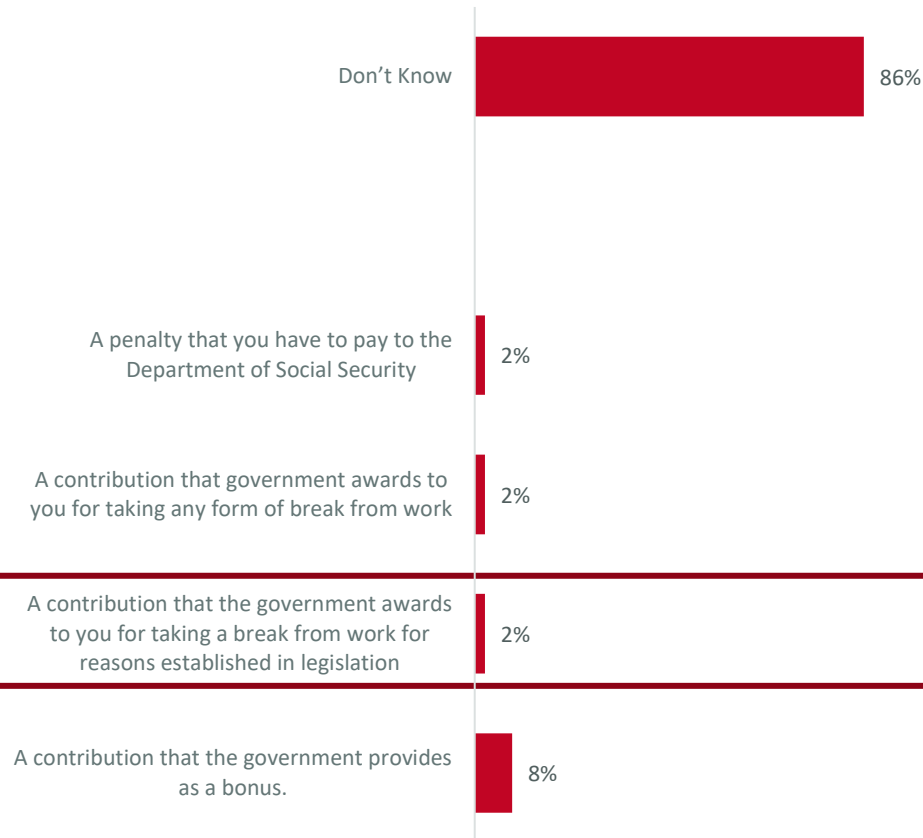


- 75% were not able to reply.
- 2% rightly indicated non of the above (with the correct answer being: 2/3 of the maximum pensionable income €25,258)
- That said, 21% have a vague idea of what the pension entitlement would be, having indicated that it would be 2/3 of an amount (though they got the amount/ maximum capping wrong).
- No variance was observed when analysing data by gender.

Contributory history

A credit to your contributory history is:

Sample Size: 406

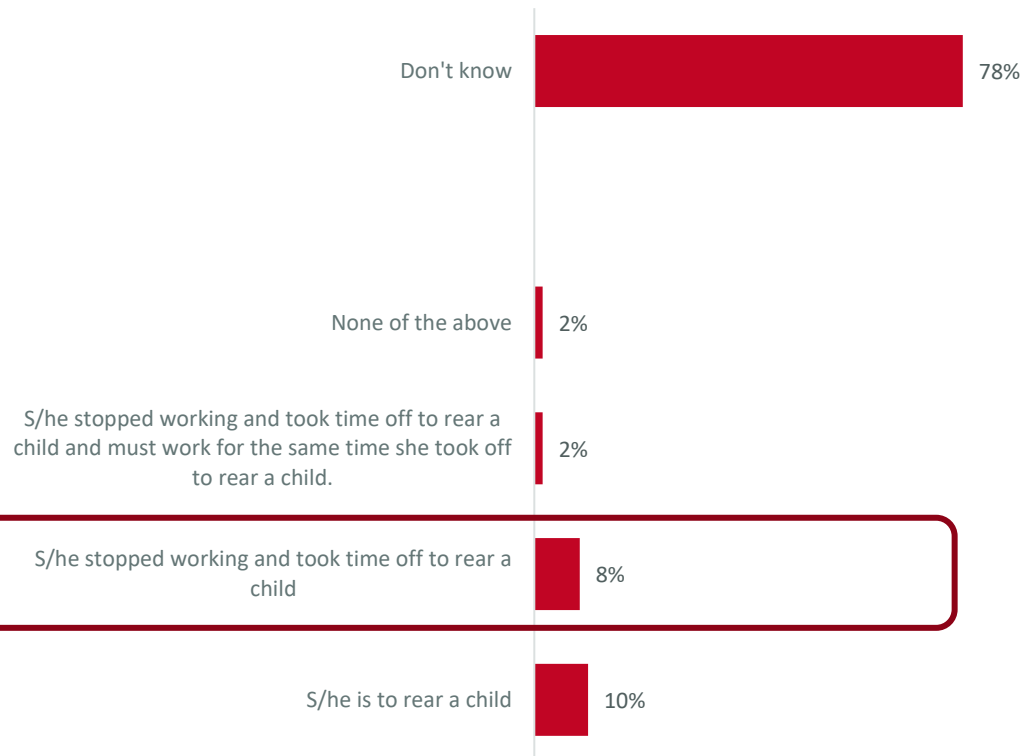


- 86% were not able to reply.
- 2% or respondents gave the correct reply.

Mobile security functions

You / your spouse will be entitled to a child care credit up to age of 6 as maximum and 10 in the case of severely disabled if

Sample Size: 406

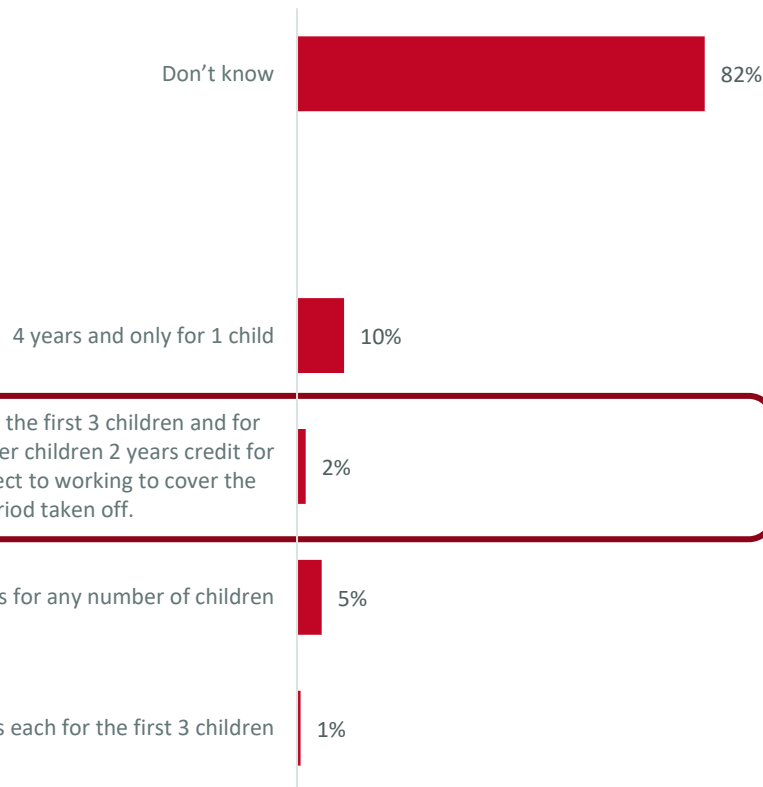


- 78% of respondents were not able to give a reply.
- 8% gave the right answer
- 16% gave the incorrect reply.

Credits entitlement

The credits you / your spouse are entitled for are:

Sample Size: 406

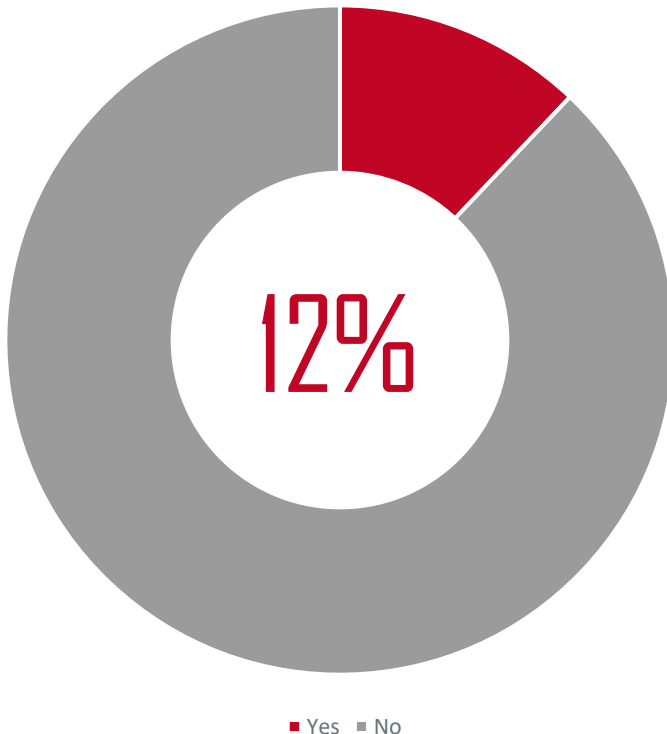


- 82% of respondents were not able to give a reply.
- 2% rightly gave the response that credit entitlements are *'4 years each for the first 3 children and for the 4th and further children 2 years credit for each child subject to working to cover the period taken off'*.

Credits entitlement

Are you aware that you are entitled for credits if you successfully graduated in further and higher education?

Sample Size: 406

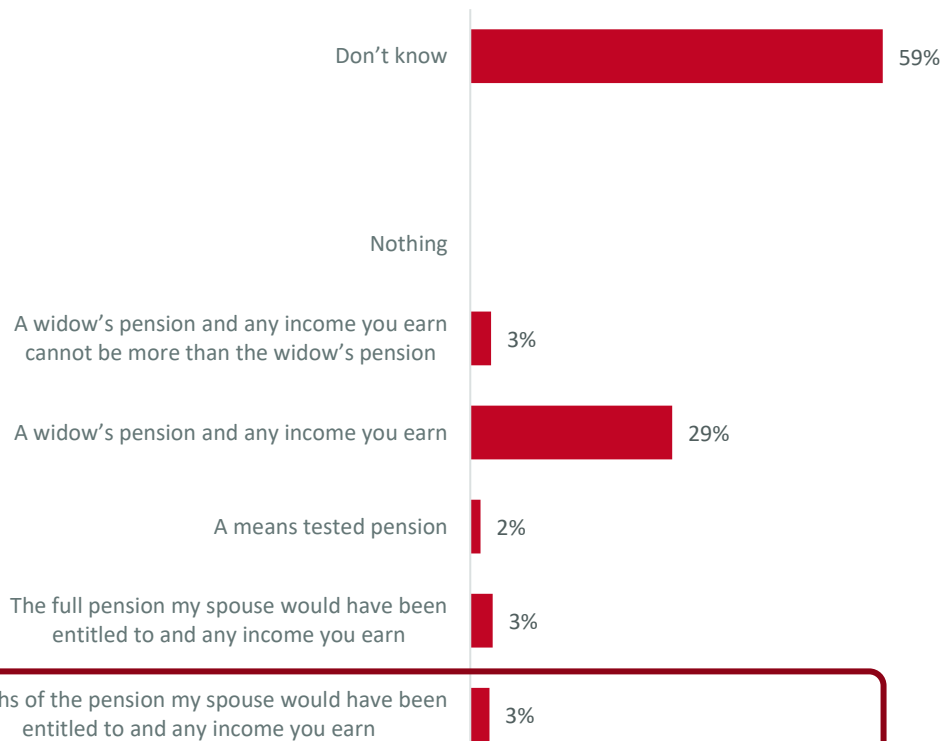


- 88% of respondents are not aware of credit entitled for successfully graduating in further and higher education.
- No variance was observed when analysing data by gender.
- With 20% positive responses, individuals that had completed tertiary education were more inclined to know about this credit entitlement than individuals that had completed a lower level of education.
- Furthermore, among those that answered in the positive (50 responses), only 4% (or 2 respondents), correctly noted that if one successfully graduated in a Bachelors degree / Level 7 the number of credits accredited to your pension would be *26 months for each year of study*.

Contributory social security

If your spouse passed away **before his/her retirement** the contributory social security system will provide you with

Sample Size: 406

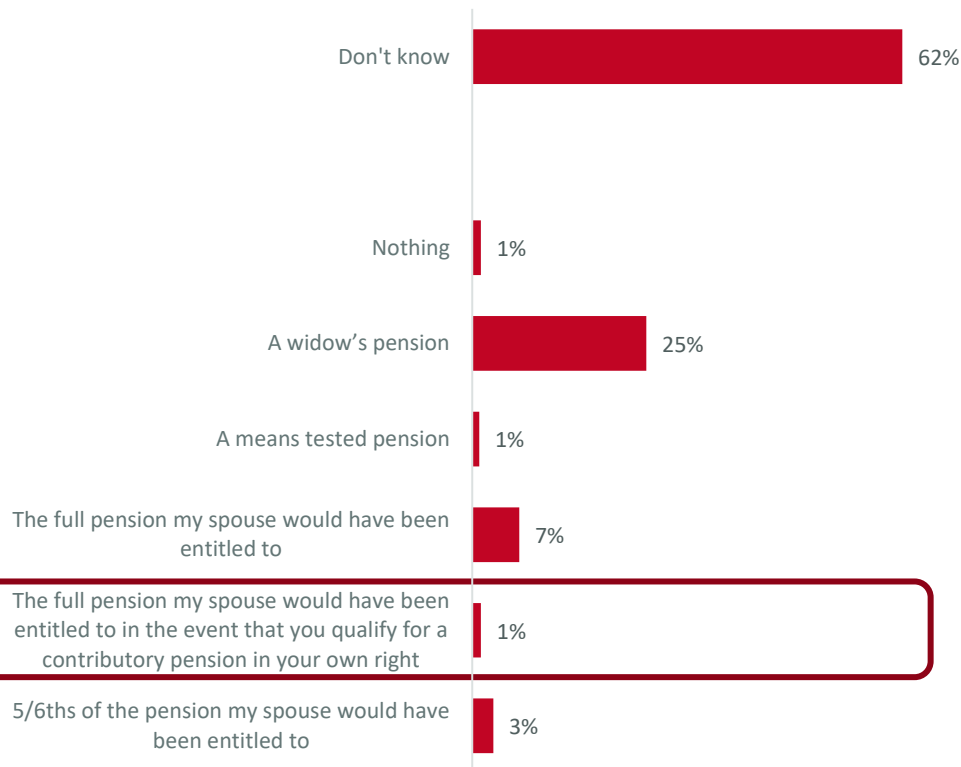


- 59% of respondents indicated 'don't know'.
- Only 3% indicated the correct answer.
- 29% wrongly assume that they would be entitled to a widow's pension and any income they earn.

Contributory social security

If your spouse passes away whilst in retirement and you are over 61 years of age and eligible for a pension in your own right, the contributory social security system will provide you with

Sample Size: 406

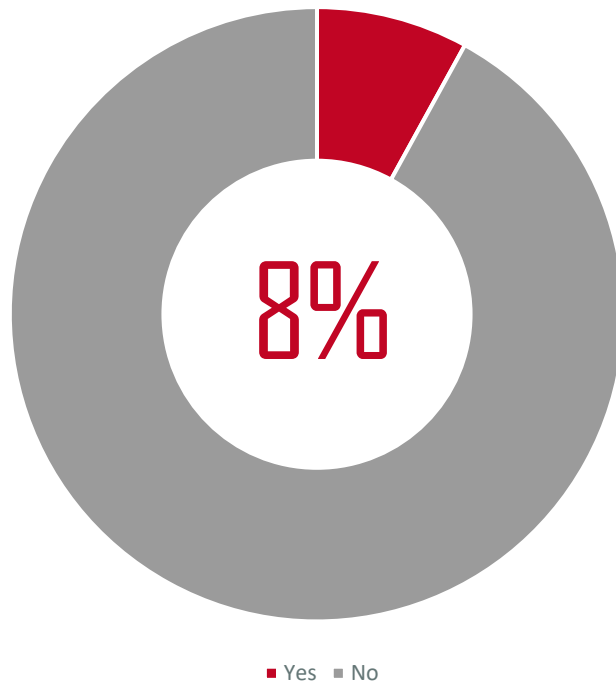


- 62% of respondents indicated 'don't know'.
- Only 1% indicated the correct answer.
- 25% wrongly assume that they would be entitled to a widow's pension.

Income in retirement

Have you ever tried to work out how much income you will need in retirement?

Sample Size: 406

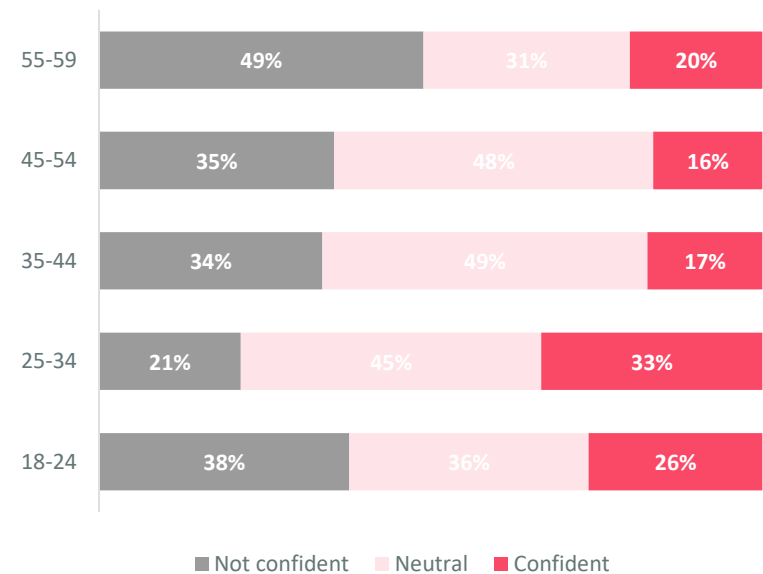
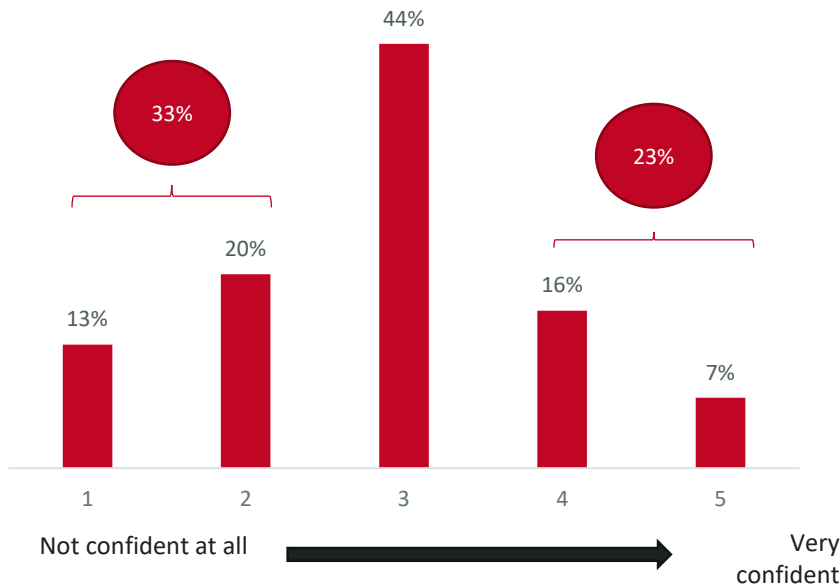


- 8% of respondents noted that they have tried to work out how much income they will need in retirement.
- No variance was observed when analysing data by gender.
- The younger cohorts are least likely to have worked out how much income they would need in retirement (5% of those aged 18 to 24). Conversely, 12% of those aged 45 and over indicated that they had tried to work out how much income they would need in retirement.

Financial security in retirement

On a scale of 1 to 5, where 1 is not confident at all and 5 is very confident; how confident are you that you will be financially secure in retirement

Sample Size: 406



- 23% of respondents felt confident that they will be financially secure in retirement
- Conversely, 33% were not confident.
- No noticeable variance was observed when analysing data by gender.
- A review of responses by age evidences that the highest age cohort are least confident (49%).

Conclusions

Conclusions

The research has evidenced that:

- Respondents are overall not knowledgeable of the social security contribution that you pay government? (NI contributions), with only 28% indicating to be knowledgeable (of which 9% felt that they were very knowledgeable). Males and those that have completed tertiary education tend to feel marginally more knowledgeable than other cohorts.
- 71% of respondents rightly indicated that the contribution they pay is on their gross wage, with those aged 45 and over more inclined to know than they younger age cohorts.
- 4% were able to correctly indicate what the maximum income cap on which one pays his/her contribution was, with 61% indicating 'don't know' and 35% gave the incorrect reply.
- No one knew the formula for calculating how the maximum pensionable income increases annually. 8% gave the incorrect reply.
- 17% were able to correctly indicate the number of contributions one had to pay in a year (with another 24% partially indicating the correct answer when indicating 52 weeks contributions). 52% noted that they didn't know.
- 9% rightly noted that to qualify for a pension one must be in possession of 12 years of contributions. 56% noted that they did not know, with the rest (35%) giving the incorrect reply.

Conclusions

- Irrespective of their year of birth, respondents were of the opinion that one had to make a total of 40 contributions to qualify for a full pension. 64% of those born between 1962 and 1968 rightly noted '40 contributions', with 4% of those born in 1969 and after indicating 41 contributions, this being the correct reply.
- With 56% correct responses, overall, respondents are aware that if they have paid 25 years of contributions, they will receive a pro-rata pension.
- Only 1% of respondents are aware of what needs to be done, should they have gaps in their contributory period. 53% indicated 'don't know' with the rest (46%) giving an incorrect reply.
- 49% correctly indicated 65 years of age as the pension age. 23% indicated not to know, with 28% giving an incorrect reply. Males were marginally more knowledgeable than females.
- The majority of respondents were unaware of the criteria for one to retire (overall 70% indicated 'don't know'). 30% of those born between 1962 and 1968 correctly noting that one needed to be 61 years of age and have 40 years of contributions. 20% of those born in 1969 and after also gave this response, even though the number of yearly contributions in their case should be 41. (Only 2% of this cluster correctly noted so).
- When given a number of options, should they choose to retire early, 11% correctly noted that they could not work at all until they reach pension age. 71% indicated that they 'didn't know' the correct reply, while 18% gave the incorrect answer.

Conclusions

- When respondents were given a number of options, this time should they decide not to opt for early retirement, 9% correctly noted that they 'will be boosted by an increase of 23% on their pension income if they work till 65 years of age and their spouse will continue to benefit from this increase following their death'. 78% were unable to reply. 13% gave the incorrect reply.
- Overall respondents are unaware how their pension is calculated. 19% of those born between 1962 and 1968 rightly noted that it was calculated on the 'best 10 out of the last 40 years'. 15% of those born in 1969 and after also indicated this reply, even though, in their case it is based on the 'best 10 out of the last 41 years'. None within this cohort gave the correct reply.
- When given a hypothetical scenario – that their average basic salary was €26,258 and they had paid all of their social security contributions, only 2% replied correctly. That said, 21% have a vague idea of what the pension entitlement would be, having indicated that it would be 2/3 of an amount (though they got the amount/ maximum capping wrong). 75% indicated 'don't know'. No variance was observed when analysing data by gender.
- 86% do not know what a credit to their contribution history is. A mere 2% gave the correct reply.
- Only 8% of respondents are aware of their entitled child care credit (up to age of 6 as maximum and 10 in the case of severely disabled). 78% indicated 'don't know'. While 14% gave an incorrect reply.
- 2% of respondents are aware that credit entitlements are '4 years each for the first 3 children and for the 4th and further children 2 years credit for each child subject to working to cover the period taken off'.
- While 12% indicated being aware of credits entitlement if they successfully graduated in further and higher education, only 4% of this cluster (or 0.5% of the total sample) correctly noted what such credit entitlement was.

Conclusions

- With only 3% correct replies, should their spouse pass away before their retirement, overall respondents are not aware of what the contributory social security system will provide them with.
- Likewise, with 1% correct replies, overall, respondents are unaware of the contributory social security system they will receive if their spouse passes away whilst in retirement and they are over 61 years of age and eligible for a pension in your own right.
- 8% of respondents noted that they have tried to work out how much income they will need in retirement.
- 23% of respondents felt confident that they will be financially secure in retirement. Conversely, 33% were not confident. A review of responses by age evidences that the highest age cohort are least confident (49%).

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The GEMMA Survey on Households' understanding of the pension system

For more information or to download the survey results visit **www.gemma.gov.mt** or contact: **info@gemma.gov.mt**

