

**Pensions - Adequate and Sustainable - White Paper, November 2004**  
**Seminar organised by The Malta Confederation of Women's**  
**Organisations**  
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The Malta Confederation of Women's Organisations held a seminar on Wednesday 30 March 2005 to discuss the White Paper in caption from a gender perspective. After three hours of intensive discussion among representatives of most of women's organisations in Malta, the following main issues were highlighted.

The White Paper has not taken the different realities of women and men into consideration. The gender discrimination that exists in the present law has not been addressed and will continue to be perpetrated by the proposed legislation. Moreover, the new provisions will affect women more adversely.

The challenges and concerns addressed in the White Paper are very valid. However, the proposals tabled fail to meet the challenges highlighted adequately, particularly with regard to the need to increase the participation of women in the labour market whilst addressing the low birth rate.

No proposals have been tabled that effectively challenge the *status quo* with regard to the lack of a work-life balance. Maltese society is facing a situation whereby married women who continue in the labour market limit the number of children because of lack of support, whilst those who opt out of the labour market do so for lack of financial means.

Specific comments and recommendations:

1. The lengthening of the contribution period for the accumulation of the Two-Thirds 1<sup>st</sup> Pillar from 30 to 40 years is hard on all workers but it will penalise the vast majority of working women more heavily.

No allowance is being given for periods of unemployment, breaks for caring for family members, etc.. Most women's career path, unlike men's, does not follow a linear path. On the contrary, the vast majority of the few thousands of married women that continue in the labour market take career breaks for the caring of family members. Crediting of NICs will not make up for this discrepancy especially if crediting will be based on the minimum wage. Thus it will be difficult for many women to get a full pension at the end of a long career working hard to balance work and life responsibilities. This provision will not encourage women to remain in the labour market and those who do, will seek the informal rather than the formal sector.

Recommendation: A number of years per child (up to 18 years in UK) should be deducted from the contribution period. This may be one way of encouraging women to have more children and address the low birth rate.

2. It is being proposed that the 40 year period of NICs to be considered will be between 25 and 65 years of age. Many workers (the vast majority) do not continue their studies up till age 25 and start contributing at a much younger age. How about those workers who postpone their studies? Will all these contributions be in vain? Is the government encouraging young people to postpone entry into the labour market or are young people being encouraged to work in the informal sector? How will this proposal affect people who are already prone to milk the social security system?

Moreover, it is a well-known fact that the years that most women work in the labour market are when they are between 16 and 30 years of age when the graph of their participation starts its sharp decline until retirement age. This proposal is clearly discriminatory in that many more women than men will lose out on years of contributions.

Recommendation: The commencement of the contribution period to be considered will remain as is at age 19.

3. It is being suggested that the baseline for the calculation of the Two-Thirds 1<sup>st</sup> Pillar pension should be changed to the average of the 40 year contributions accumulation. This proposal is too drastic and not only does not leave any allowance for workers, mostly women, who for some reason drop out of the labour market during their life-time but does not take into consideration the changing trends that nowadays workers prefer to slow down in their latter working life after having given their utmost in earlier years.

Recommendation: The baseline for the calculation of the Two-Thirds 1<sup>st</sup> Pillar pension should be changed to the average of the best 20 year contributions accumulation.

4. Part-Time workers: The high NIC rate for part-time workers has not been addressed. This is a crucial issue as it is either keeping married women from joining the work force or it is encouraging them to join the informal sector. As soon as a woman starts earning an income, irrespective of the amount, the minimum NIC that she has to pay is based on the minimum wage; moreover, her income is often added on to her husband's income and is taxed at a high rate whilst the children's allowance is deducted. What incentive has a married woman to enter the labour market? If at all, she will end up joining the informal sector. This is a crucial issue as 18% of the labour force is made up of women in part-time work

Recommendation:

- (i) The NIC contributions and benefits are commensurate with actual earnings and thus incentivize women to join the formal sector
- (ii) The rate at which her earnings are taxed does not unduly penalise the worker.
- (iii) Benefits remain untouched for say, the first four months, and
- (iv) that they are then gradually reduced until worker enjoys job security.

5. This White Paper in no way addresses the position of the vast majority of married women who opt out of the labour market either on marriage or after having had their first child and thus become financially dependent on their spouse throughout their lives. Women have a derived right to share their husband's pension as often the NIC is paid from moneys forming part of the community of acquests. However, many women live their mature years in poverty as the husband refuses to share 'his' retirement pension.

Recommendation No: In such cases a married woman will have a right to receive her share of the pension without the need of the husband's consent as at present,

6. On the other hand, the White Paper does not enable men and women outside the labour market to join the pension scheme. Up until some months ago, this was only true for women, but recent legislative changes has put men in the same situation. However, this hits women more adversely as the number of married women who opt out of the labour market is much higher. Instead of encouraging women to plan for their future, the message here is to let them prolong their dependence even to old age when women's needs are much higher as their life expectancy is much longer than men's.

Recommendation: Women and men outside the labour market will be given the option to join the pension scheme.

7. Separated women face two main challenges:

- (i) difficulty to join labour market when they have children to look after,
- (ii) when they work part-time, besides the issue of the high NIC rate, their benefits are stopped straightaway without their being given a period of grace to ensure their job security'

When they lose their job it takes them months to get back their benefits. This situation is a disincentive for these women to join the labour market and, if at all, an incentive to enter the informal sector. How are these women going to be able to work for their pension – a period of 40 years - to accumulate enough NICs to earn a decent pension? Moreover, if their separation agreement does not include their right to maintenance from their estranged husband, they are not even entitled to share and inherit his pension.

Recommendation:

- (i) The NIC contributions and benefits are commensurate with actual earnings and thus incentivize women to join the formal sector,
- (ii) Benefits remain untouched for say, the first four months,
- (iii) They are then gradually reduced until worker enjoys job security,
- (iv) A number of years per child are deducted from the contribution period.

8. Widows/widowers: Whilst a spouse financially dependent on the partner inherits his/her pension, married couples who have both worked for a pension do not inherit each other's pension. This situation is on the one hand penalising the couples who both work and, on the other hand, discouraging

women primarily from joining the labour force and secondly, if they do, to opt for the informal sector.

Recommendation: All spouses should inherit each other's pension.

9. Common law marriage: Whilst co-habitation is recognised for the purpose of social benefits in order to avoid duplication of hand-outs, this is not the case where pensions are concerned. In fact, women in a co-habiting relationship, who are financially dependent on their partner, are not entitled to inherit his pension on his demise ending up living in poverty in their old age.

Recommendation:The surviving partner in a cohabiting relationship has the right to inherit the pension of the deceased.

10. Women's low earning threshold makes it difficult for them to join 2<sup>nd</sup> Pillar pension schemes, not to mention the 3<sup>rd</sup> Pillar pension scheme, This is especially true for young women and men who already have heavy financial commitments to start a family. Minimum wage earners that make up a considerable number of families will also find it impossible.

Recommendation: The rate to join pension schemes be reviewed to contain unnecessary hardships.

11. The voluntary option: It is being proposed that joining the 2<sup>nd</sup> Pillar remains optional for a number of years. It is also proposed that joining this scheme needs the consent of the employer. The requirement for the employer's consent casts doubts on the viability of this proposal. Maltese SMEs will consider this expense a further burden and opt out of it, leaving the employee to face the music later on in life. This can create particular problems for workers on border line situations.

Recommendation:The scheme is given further thought in order to address such anomalies.

12. The White Paper is very clear on defining contributions. However, there is no mention at all of the benefits to be derived after having contributed for 40 years and longer.

Recommendation:Clear indications should be given on the guaranteed returns.

13. Few women will be able to enjoy the tax credits linked to the 3<sup>rd</sup> Pillar Pension Scheme as few will be able to afford joining this scheme.

Recommendation: The tax credits that are being proposed on the annual contribution to the 3<sup>rd</sup> Pillar should be linked to 2<sup>nd</sup> Pillar in order to be of benefit to the majority of men and women and not restricted to the richest sector of society that can well afford to finance private pensions.

## Conclusion

The Malta Confederation of Women's Organisations calls on the Pensions Working Group to give serious consideration to the above in order that they may be incorporated in the upcoming legislation.