

# National Council of Women

## Comments and recommendations on:

**White Paper  
Pensions - Adequate and Sustainable  
November 2004  
Consultation Process**

**14<sup>th</sup> February 2005**

## Background

**The Pensions System Reform in Malta cannot be seen in isolation if it is to be sustainable but in the context of:**

- Maltese culture and tradition
- Demographic changes
- Global competitiveness
- The Lisbon Process
- The Millennium Goals
- The National Action Plans for Employment and Social Inclusion
- The direction that Budget 2005 is indicating for the future in line with the European Social Model as full EU members

## Gender aspect of Social Security and Pensions

*Social Security Schemes and Pensions Systems need to be designed in a way not to penalize those who do unpaid care work and home care.*

## First Pillar

04. While acknowledging the need to increase the retirement age to 65 years of age for both men and women, the contribution period increased to 40 years will impact negatively on women making it harder for women to build up adequate entitlement due to gaps in their contribution record for a number of reasons:

**Contribution period increased to 40 years will impact negatively on women because of:**

- The wage gap of 20%
- The complete lack of mechanisms to ensure the principle of Equal Pay for Work of Equal Value as established in the EIRA
- Given the persistent inequality in women's and men's domestic responsibilities, women cannot work the full 40 years proposed in the White Paper as the contribution period for the accumulation of the Two-Thirds First Pillar.
- Women returners require time for re-training and re-skilling for an adequate re-entering the labour market
- Age discrimination, although against the law may also be an obstacle to women's re-entry to the labour market.

- With the increase up to 25 years of age (circa) in the years of study, and consequently the delayed entry into the labour market for both men and women, the 40 year contribution period (up to 65 years of age) will not allow for flexibility for the undertaking of periods of training, re-skilling and continuous development although the White Paper proposes ‘credits’ for such cases.
- 04.8.1 The statement that *‘the average woman tends to earn less than the average man as in general women tend to be employed in occupations with lower wage and salary levels’* is not completely accurate.

The lack of a Discrimination-Free Job Evaluation System that will set up the necessary mechanism to implement the Policy of Equal Pay for Work of Equal value as established in the EIRA is one of the major causes of inequality.

## **09. Review of Invalidity Pensions Scheme**

### **16. Review of Pensions System that encourage inactivity within the informal economy**

- Rather than ‘tighten the eligibility criteria’ the White Paper should be taking a more positive stance and recommend a more positive approach.
- Apart from those employees who are genuinely incapacitated, among those who took up early retirement only 4 out of 10 would have preferred to continue working.
- Only 35% of the 55-64 age group exited the labour market at the legal retirement age during 1995-2009, while 17% were invalidated out.

*(European Foundation for the Improvement of Living and Working Conditions: Combating age barriers in employment: 1999)*

## **15. Parental responsibilities**

### **17. Policy instrument for ‘credits’ for the undertaking of training, re-skilling etc**

- We need to ensure that policies and their implementation reflect the current unequal balance in the use of time and employment of men and women. Since time use is greatly influenced by family benefits any ‘credit’ system or other forms of family benefits must reflect the current situation. The necessary mechanisms need to be in place to ensure a fair distribution of benefits for men and women
- Measures and incentives for both men and women for a more balanced use of time and employment should be considered as instruments of gender mainstreaming in social policy and social security policy regarding 15. 17.

15. Parental Responsibilities: This policy should be extended to men and women in relation to dependent members of the family including children and others in need of care such as the sick and elderly dependents and dependents with special needs.

## **Second Pillar Pensions Scheme**

- 21. The annual contributions into a Second Pillar Pensions Scheme should be non-taxable up to a capped limit as in the Third Pillar Pensions Scheme. This measure will serve as an incentive for both men and women.
- The White Paper is proposing that the Second Pillar Pension Scheme should be introduced on a voluntary basis, but should be mandatory after a transitional period. Since a high percentage of women are not in full-time employment, a **Second Pillar Pensions Scheme, non-taxable up to a capped limit will serve as an incentive in particular for women in part-time employment**
- 24. The White Paper proposes that the determination of the parameters of the proposed mandatory Second Pillar Pensions Scheme should be taken on the basis of intensive actuarial studies commissioned by Government in tandem with the consultation process. The studies need **to ensure the strengthening of our social inclusion policy and that there is no negative impact on both men and women** given the lack of level playing field
- 28. 32.Regulation and Periodic Review of the Pensions System should be carried out before the proposed date 2009 should the need arise and there is consensus amongst stakeholders. Innovative and sound Second and Third Pillar Pensions Schemes should be strongly encouraged.

## **Observations and Recommendations**

### **Chapter 3: Challenges**

#### **03.1 Population Ageing**

#### **03.3 Life Expectancy**

#### **Research needs in economic and financial policy**

Given that demographic change – and related modifications in the structure of the population and society – is a recent phenomenon, further knowledge is needed in order to be able to gauge the impact on overall social development and to establish a sound basis for timely policy planning decision-making and action.

The following issues should be taken into consideration:

- Demographic change in consumption and savings and behaviour given longer life expectancy
- Links between an ageing population and productivity. The impact on productivity, innovation and entrepreneurship

#### **2. Research needs in work and employment**

In future, the shift in the population age structure and the resultant need to redistribute scarce resources which cannot be increased in proportion to the demand will make it necessary for businesses and social security systems – and for the ageing population itself – to rely longer than at present on older people's working skills and knowledge.

The following considerations should be taken into account:

- In which fields older workers will be able to put their skills to particularly good use, even with increasing age
- How health and safety in the workplace can be improved so that workers can play an active part in working life for longer
- With regard to the transition from full-time employment to retirement, pre-retirement flexible arrangements at the workplace can be introduced to ensure that they are of benefit to older workers, businesses and social security systems alike and to delay the age of exit from the labour market.
- Devising schemes for knowledge transfer so that older workers' skills and wide experience over many years can be passed on in such a way that younger people are happy to take "old" knowledge on board and make it a part of their "new" body of knowledge, both for their own benefit and the benefit of their company

### **Research needs with regard to lifelong learning**

In a society of rapid social, cultural and technical change, lifelong learning is becoming ever more important.

The following considerations should be taken into account. This applies in particular to older workers whose skills acquired in the past no longer meet modern employment requirements:

- Identifying what kind of further training is most effective for older workers in terms of both content and approach
- Taking appropriate measures so that all workers benefit equally regardless of age or sex.
- Identifying basic skills that are particularly important in old age

## **Chapter 4**

### **Recommendations for the reform of the Pensions System to render pensions adequate and sustainable.**

Under the new Employment Guidelines (2003) gender equality is a horizontal issue spanning all the objectives. Some progress has been made in relation to employment and training policies. However measures to improve the quality of work, career prospects, encourage women entrepreneurs, narrow the age gap and promote women in the new technology sector are only in patches.

The following measures should be taken into account to provide the necessary incentives to increase and retain the participation of women in the labour market.

- Maximizing the number of women with individual entitlement to pensions. (long term)
- All pensions to be individualized and gender neutral (long term)
- Extension of maternity leave to 26 weeks. 13 weeks paid leave (medium term)

- Introduction of a ‘credit’ system for full-time parental leave for parents, mother or father of children up to four years, who have had prior paid contributions.(short term)  
This should be equivalent to the parent’s social security contribution had he/she remained in paid work.  
This should be added to a person’s contribution record before the average contribution for old-age pension entitlement is calculated (short term) (Criteria for registration are to be established).
- Introduction of part-time parental leave ‘credits’ for parents, mother or father of children up to the age of four years This should be equivalent to the parent’s contribution had he/she remained in paid work (short term)
- Introduction of part-time unemployment benefits for parents with children up to the age of four years and who are registering for part-time work (short term)
- ‘Credits’ for men and women who take career breaks for the care of dependent adults and dependent relatives with disabilities (short term)
- Introduction of paid parental leave for single parents (who have been in employment) of children up to the age of three years, if that parent was to pass a means test.(short term)
- Part-time employees are to be given prior access to either longer hours or full-time employment should their employer require additional labour.(short term)
- Introduction of a scheme of unemployment benefits for single parents registering for work to act as an incentive for single parents to enter the labour market rather than remain inactive.(short term)
- Working hours are of central importance if women and men are able to combine jobs with parenthood. A working group should be set at Government level with the task of providing detailed basic information about new work organization that is family-friendly.(short term)
- The setting up of temping agencies. (medium term)

### **Childcare Provision**

There is the need to do more to raise the employment rate of women and to remove the obstacles which continue to prevent women entering the labour market. This mainly depends on both men and women; reconciling family and work requirements must be consistently pursued. Accessible and affordable day-care facilities for children and others in need of care are to be made available

- regulation of current pre-school childcare facilities,
- provision of public-private partnership of childcare facilities that are accessible and affordable,
- home-based child minding
- after school pre-adolescent care and assistance
- ‘fee ceiling’ of pre-school facilities.

### **Self-Employment**

n There are also issues of men and women working in family business where women work and their activity is not declared.

- Legislation should ensure that spouses or relatives assisting are to be fully insured.
- This is also often the case of farmwomen who should also be fully insured.

### **Conclusion**

The expert report on the future of social policy and social security recently noted that the commonly held perception of social protection undermining competitiveness, economic growth and high employment levels is hardly defensible in empirical terms and that countries such as Sweden, Denmark, Austria, Luxembourg and the Netherlands, high economic performance goes hand in hand with a high level of social protection. The countries which take the lead in competitiveness all make high investments in social policy and social security systems and show low poverty rates .

*See: European Policy Centre (2004) Lisbon revised – Finding a new path to European growth (quoted in the May 2004 report of the high-level group on the future of social policy in an enlarged European Union, p.53)*