Memo for Cabinet
by the Hon Minister of Labour & Social Welfare

The following proposals regarding the extension of the National Insurance Act to cover all persons ordinarily resident in Malta are submitted for consideration by Cabinet.

2. These proposals are being made after consultation with Mr Patterson, an official of the Ministry of Pensions and National Insurance in U.K. who came over to Malta at the request of the Malta Government to advise on this matter.

Effective date

3. It is proposed that the new scheme should come into operation as from the first Monday in May next (4th May 1964).

Classes of insured persons

4. All persons ordinarily resident in Malta will be classed under three categories:

Class I. Employed persons - persons over 14 years of age who are working under a contract of service - These are covered by the Act in its present form.

Class II. Self-employed persons - persons between the age of 19 years and pension age (65 men - 60 women) who are gainfully occupied in employment in Malta and are not employed persons.

Class III. Non-employed persons - persons between the age of 19 years and pension age who are not employed or self-employed.

Rates of contributions

5. The proposed rates, as suggested by Actuary, will be as follows:-

Class I - Employed persons

	Insured person	Employer	Consolidated Revenue Fund
Men	1. 10	1. 10	1. 10
Women	1. 2	1. 2	1. 2
Boys	5	5	5
Girls	3	3	3

/Class II ....

Class II - Self-employed persons

	Insured person	Employer	Consolidated Revenue Fund
Men	3. 2	-	1. 7
Women	2. 0	-	1. 0
Class III - Non-employed persons			
Men	2. 3	-	1. 1½
Women	1. 6	-	9

6. The present rates for men and women - Class I - are being increased by 6d (2d payable by each party) and the rate for boys is being increased by 1½d (½d payable by each party) in view of the proposed provision for a new benefit, viz. invalidity pension.

State contribution

7. As expenditure on benefit will be relatively low during the first five years of the new scheme it is suggested that the increase in State contribution for this period in respect of Class II and III should be as follows:-

1st year - 1964/65 - £20,000
2nd year - 1965/66 - £30,000
3rd, 4th & 5th years - £40,000 per year

Thereafter it will be 50% of the contributions paid by the insured persons as in the case of Class I contributors at present.

Benefits

8. The kinds of benefit payable to each class of insured persons will be the following:-

Employed persons	Self-employed persons	Non-employed persons
Marriage grant	Marriage grant	Marriage grant
Sickness benefit	Sickness benefit	
Unemployment benefit	-	-
* Invalidity pension	Invalidity pension	-
Widow's pension	Widow's pension	Widow's pension
Old Age pension	Old Age pension	Old Age pension
Guardian's allce.	Guardian's allce.	Guardian's allce.
Injury benefit	-	-
Disablement benefit	-	-
Death benefit:-		
Widow's benefit		
Widower's benefit		
Widow's allowance		
Orphan's allowance		
Parent's allowance		

* This will be a new benefit for this class of insured persons.

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9. The rates of benefit payable to self-employed and non-employed will be the same as those at present applicable to employed persons.

Invalidity pension

10. This new kind of benefit will be payable to insured persons in Classes I and II who are certified by a Departmental Board (Medical Panel) as being permanently incapable of any kind of work through some serious illness or loss of faculty.

11. Payment of this benefit will be subject to the condition that the insured person has paid at least 250 contributions either as employed or self-employed person. Benefit will be payable at a flat rate of 36/- per week plus 18/- per week increase for wife. Invalidity pension will be limited to persons under 60 years of age at the time the claim is lodged. It is deemed expedient to exclude persons who retire from work on attaining the age limit as these would in any case qualify for an old age pension within three years.

Contribution conditions

12. Payment of benefit to the two new classes of insured persons will be subject to the same contribution conditions which are at present applicable to employed persons.

13. In the case of old age pension, however, self-employed and non-employed persons over 58 years of age (55 years in the case of women) at the time of the introduction of the scheme shall not be eligible for the pension before the lapse of five years from the introduction of the scheme, or from date of entry into insurance, whichever is the later. Such persons will be deemed to have attained pension age five years after their entry into insurance and will be allowed to continue to pay contributions after attaining 63 years of age, in order that their right to a full pension may not be prejudiced.

/Low ....

Low earnings

14. Self-employed persons whose earnings do not exceed £104 per annum shall be treated as non-employed and shall pay the contribution appropriate to that class.

15. Non-employed persons whose income does not exceed £104 per annum, and self-employed persons treated as non-employed on account of low earnings may either pay the Class III contribution or apply for a certificate of exemption.

16. A non-employed person holding a certificate of exemption may at any time return the certificate to the Director and start paying contributions.

Married women

17. Although all persons in Class III will be liable for the payment of contributions, (unless they apply for a certificate of exemption) exception will be made in the case of married women who are engaged solely in housekeeping and do not follow any gainful occupation as this expression is generally interpreted. These will be precluded by law from entering insurance. The reason for this is that married women are covered by their husband's insurance and if on date of the husband's death a widow will not qualify for a widow's pension, she will be able to qualify for old age pension on attaining 60 years of age by paying Class III contributions.

18. Provision, however, will have to be made to enable Class III contributions to be paid by:-

a) married women who are at present paying voluntary contributions;

b) married women who will cease working after the introduction of the new law; and

c) women who will marry after the introduction of the new law. Women under category (b) and (c) will be allowed to pay contributions only if they have paid 50 contributions up to the time they cease working or up to date of marriage.

/Widows ....

Widows

19. Widows who are not working either as employed or self-employed, will be liable to the payment of Class III contributions. They shall however, be excused from the payment of such contributions for any period during which they are in receipt of a widow's pension or for any period during which they have the care of children under 16 years of age.

Monks and nuns

20. It is for consideration whether monks and nuns should be precluded by law from joining the new Scheme.

Enforcement

21. The powers at present vested in the Director regarding the enforcement of the provisions of the present Act will have to be extended to ensure compliance by the new classes of insured persons.

Late payment of contributions

22. It will be particularly necessary to impose a specific condition to the effect that a person who without valid reason fails to register and to pay contributions at the proper time, shall not be allowed to pay contributions in arrear in order to qualify for benefit.

Reciprocal Agreement

23. The introduction of the new legislation will necessitate a revision of the Reciprocal Agreement with the United Kingdom on National Insurance matters.

Armed Forces Order

24. This too will have to be revised in the light of the proposed amendments.

Additional Staff

25. The new scheme will necessitate an increase in the existing staff. The following is an estimate of the additional staff that will be required immediately on the introduction of the scheme:-

1 Executive Officer
7 Clerical Officers
12 Clerk Typists

/Furniture ....

Furniture

26. Funds will have to be provided for the purchase of additional furniture and equipment.

Premises

27. As the premises housing the National Insurance Division are already overcrowed and the cramming of further staff and equipment is out of the question, a more spacious building will be required.

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Memo for Cabinet

Occasion is being taken to amend certain provisions of the existing Act.

Section 12

It is proposed to add a new subsection laying down that a person shall not be deemed to be available for work on any day -

(a) if she is a married women and has not paid at least 26 contribution as an employed person since her marriage;

(b) if he/she is receiving a superannuation pension in respect of previous employment in Malta or elsewhere and has not paid at least 26 contributions as an employed person since the time when he/she left the employment for which he or she is receiving a superannuation pension. The purpose of this amendment would be to prevent married women and superannuation pensioners from drawing benefit when they are not really available for work. The payment of unemployment benefit in these circumstances causes a scandal and brings the whole scheme of National Insurance in disrepute. There is also the important point that it encourages insured people to make false declarations.

Section 13

It is essential that a new subsection should be added laying down that where a person refrains from drawing sickness benefit or unemployment benefit for any day, and the Director is satisfied that the insured person's reason for so refraining is to avoid exhaustion of his benefit rights, the insured person should be deemed to have exhausted his rights.

As the law stands an insured person is entitled to not more than 78 days in any one period of interruption of employment. When a person has

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received benefit for this maximum number of days he cannot draw any further benefit unless he has worked and paid contributions for at least 13 weeks. With the object of circumventing the law many persons stop registering from work two or three days before exhausting their benefit and, after the lapse of 13 weeks, submit a fresh claim for benefit. In this way since on the previous claim there was no exhaustion of benefit, they automatically qualify for another 78 days without having paid the required 13 contributions. This practice may be repeated two or even three times.

<u>Section 16</u>

A widow whose husband satisfies the contribution conditions at the time of his death is only entitled to a pension if she -

(i) is over 50 years of age or is incapable of self support;

(ii) has the care of children under 16 years of age; or

(iii) since she was 40 years of age she had the care of children under 16 years.

It is proposed that if the husband satisfies the contribution conditions but the widow does not satisfy any of the above conditions, the widow should be granted a widow's pension at a flat rate of 12s/6d per week. Such a widow will qualify for an Old Age pension in her own right at age 60 provided she pays at least Class III contributions as from date of husband's death.

<u>Section 33 (b)</u>

At present disablement pension is not payable when the insured person is absent from Malta whilst all other long term benefits are paid even if the beneficiaries are abroad. It is felt that such discrimination should be removed and it is suggested that disablement pension should also be payable to persons living abroad, provided the pension has been awarded for life and no re-assessment would be required.

/First ....

First Schedule to Act (Part I)

It seems desirable to amend paragraph 2 of Part I of the First Schedule of the Act to show clearly that if a ship is registered or owned in Malta, then the master and members of the crew ought to be insured as employed persons under the Malta Scheme, even if they are not British subjects and even if they are engaged outside Malta and never visit Malta in the course of their employment. This is particularly important in the case of industrial injury. At the same time, the paragraph might be extended to protect Maltese workers in the service of Maltese employers (e.g. a ship repairer), even when they are employed outside Malta on board a foreign vessel.

13th November, 1963.

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Inserted in file OPM 523/55 (Rea 133)

NATIONAL INSURANCE SCHEME

Memo for Cabinet

At the Cabinet meeting held on the 19th November the Financial Secretary was asked to prepare a note on the financial implications of the several proposals being considered by Ministers. A memo has accordingly been drawn up and deals with the problem in three parts:

(A) ACTUARIAL ASPECTS

2. On the occasion of the first quinquennial reveiw of the working of the National Insurance Scheme, held in 1960, the advice given by our Actuaries was to the effect that it would be possible to maintain contributions at the then existing rates over the next five year period (1961-1966) PROVIDED there was not tampering with benefits. Any enlargement of benefits before 1966 would, it was stressed, have to be matched by a corresponding increase in contributions if the estimates and projections regarding the Fund's long term position were not to be invalidated. This advice, qualified as it was by the emphasis placed on the need to keep benefits static, was further geared to certain assumptions regarding employment and emigration levels during the 1961-66 period. The Actuaries' advice on the question of moving contributions upwards in step with benefits has in fact been departed from already. The increases in benefits, and other modifications regarding eligibility to particular benefits brought about last year, were only partly offset by increased contributions from employed persons. Another upsetting factor may have been or may yet be (before 1966) the prospect of increased unemployment - with the consequences of such a development in the way of a decline in receipts from contributions and a substantial increase in outlay on unemployment benefits.

3. Clearly, therefore, any suggestion that we should thrust additional burdens on the Fund - which is what the proposal to fix ceilings in respect of Government's third party contributions on account of the new categories of insured persons would amount to - must be viewed with a certain amountof caution; both because Government is in the last resort the party which may have to foot the bill if the Fund's resources were at any point of time in future to prove unable to meet its commitments; and also because events since 1961 may, when the time to review contributions for the third quinquennium (1966-71) comes along, force Actuaries to assess a higher set of rates than might otherwise have been the case [It is pertinent to recall here that Actuaries were, even in 1960, contemplating the need for stepped up contributions after 1966 anyway]. One must assume that the Actuaries, in now fixing on the rates recommended for invalidity pensions and for the ranges of benefits to which the new classes of insured persons will be able to lay claim, assessed amounts per week which would only suffice to meet claims on the Fund during the first five years of operation of the extended scheme and also contribute a due share to reserves in respect of long term benefits payable later to the new scheme entrants. If therefore one of the contributing parties (Government) were to default on its full share it could well mean a corresponding weakening of the Fund's

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viability in the long run. This aspect of the matter - curtailment of Government's contributions within pre-determined ceilings and the effect of such curtailment on the Fund's position - might perhaps usefully be referred to Actuaries for specific advice.

(B) BUDGETARY IMPLICATIONS

4. On the assumption that the various changes will go through as proposed, that the rates of contribution will in all respects be as recommended by the Government Actuary /one notes that Hon. M.E.L.S.W. has in fact proposed slightly reduced rates, in respect of Non-employed men, which would make them 2/3 and 1/1½ per week as against the 2/4 and 1/2 per week suggested by Actuaries/, and that Government's financial involvement on the basis of the per capita rates stipulated by the Actuary will not be subject to 'ceiling' limits, the budgetary burden in a full year could well amount to something of the order of £100,000:-

(a) Government's commitment qua employer on account of the extra levy to cover Invalidity Pensions. This is estimated at £7,000 p.a.

(b) Government's additional contribution as 'third party' for Invalidity Pensions, taking in contributions in respect of Self Employed persons (over 19) as well as contributions for all employed persons (all ages). This expense has been estimated by D.E.L.S.W. at £27,000 p.a. /£6,300 on account of Self Employed persons; which estimate is subject of course to the same reservations indicated at (c) below/

(c) Government's 'third party' contributions in respect of Self Employed persons, for benefits other than Invalidity Pensions. It is most difficult to do any precise estimating here in the absence of anything like exact figures concerning the number, sex distribution, age classification (over 19) and income level (over £104 p.a.) of such Self Employed persons as could qualify for membership of the scheme. All we have from the Director of Emigration Labour and Social Welfare is an indication that the number of persons involved (all told) could - income and age considerations apart - be somewhere in between 15,000 and 20,000. If one were to take the mean of these two extremes as the probable total figure (17,500); and if one were further to assume that (i) the male/female ratio will be something like 17:4 (1961 Statistical Abstract figures for total gainfully occupied population) and that (ii) some 15% of the male element and some 28% of the female element will be under 19 (Statistics figures for total gainfully occupied population), then the annual bill could conceivably amount to around £50,000. This figure may however be on the high side since it assumes all self employed persons to be earning £104 p.a. or over. Of course this is an unrealistic hypothesis. If therefore one were to postulate - sheer guess work - that some 20% of the assumed Self Employed

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population over 19 are in fact earning below the income limit, and elect to stay out, the bill might then be revised to some £40,000.

(d) Government's 'third party' contribution in respect of Non Employed persons. If estimating is difficult in respect of (c) it is even more so here, of course, because all we have to go by is the bare assumption (a rough assumption moreover) that the total Non Employed population of working age can be deemed to be around 17,500 heads. By adopting the same assumptions as those used at (c) for sex distribution and age classification, and by ignoring income considerations and other disqualifying factors, one could therefore say that if all Non Employed persons over the age of 19 were to be insured the cost to Government could be as much as £42,000 p.a. In fact the assumption that all will be insured is, certainly, untenable. If therefore one were to make arbitrary allowance for those whose income is below the limit, and for those others who come under the 'excluding' circumstances contemplated in the Hon. M.".L.S.".'s Cabinet memo, and to say that the probable insurance coverage of this category is unlikely to exceed 50%, we would probably be not far off the eventual true mark. The estimated Government commitment is thus, for the purposes of this computation, put at some £21,000 - say £20,000 - per annum, though it could of course be much higher or lower.

(e) Personal Emoluments. A further £6,600 p.a. will have to be provided in respect of emoluments for the extra staff to be taken on by D.L.L.S.". in order to work the expanded scheme.

5. If the Government's contribution is to be subjected to ceiling limits, as proposed by the Hon. M.L.L.S.", the extent of our commitment (including personal emoluments) would then vary as follows:-

		(Full Contribution)	(Curtailed)	(Difference)
	1964	£100,000	£54,000	£46,000
	1965	100,000	64,000	36,000
Next quinquennial period	(1966	100,000	74,000	26,000
	(1967	100,000	74,000	26,000
	(1968	100,000	74,000	26,000
				£160,000

6. The financial position of Government, both at present and in the foreseeable future, is and will continue to be precarious. As a substantial deficit is envisaged at the end of the current financial year Ministers will therefore wi h to consider whether it is advisable to add further burdens on the recurrent budget before ways and means are found to increase the resources of Government, with the object of meeting current commitments and leaving a favourable balance.

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(C) NATIONAL ASSISTANCE

7. It has been suggested that the introduction of insurance for Self Employed and Non Employed persons will produce compensations in the way of savings, eventually, under National Assistance. It is of course conceivable that there may be some relief this way, but this relief will certainly not materialise immediately and one has one's doubts as to whether it can ever be relied upon to be of substantial proportions:-

(a) Immediacy. In so far as Self Employed persons, now earning more than £104 p.a., may be persons who could in the near future fall into circumstances which would entitle them to National Assistance, without the prospected insurance, it would be as well to bear in mind that Sickness Benefits, Invalidity Pensions and Old Age Pensions are not payable for quite a while yet. Non Employed persons earning over £104 moreover may be presumed to be persons with a fairly steady source of income, so it is unlikely that a large portion of them would ever fall substantially below this income level to the point which would entitle them to National Assistance. If they do, however, then those below Old Age Pension age will continue to be a burden on National Assistance since they are not eligible to either sickness or Invalidity benefits. the 'compensation' argument is of course excluded, by definition, in respect of all those persons - Non Employed or Self Employed - who have incomes below the minimum level of £104 per annum.

(b) Extent of relief. It is certainly safe to assume that, in due course, there will be persons earning Old Age Pensions and Sickness/Invalidity Benefits (Self Employed) and Old Age Pensions (Non Employed) who would, but for the Insurance Scheme, have been a burden on public assistance funds. This is however a rather remote and quite unmeasurable prospect; and the impostion of an income qualification means that those elements of the population who are now hardest off, and who may therefore be deemed to be the most likely candidates for assistance in future, are unlikely to be taken off Government's back anyway. The 'compensation' will therefore be reaped by Government only in respect of those Self Employed and Non Employed now getting more than £104 p.a. who may in future suffer a decline in their fortunes warranting recourse of public assistance. For the reasons argued at (a) above, in respect of Non Employed, and taking into account the reasonable certainty that most Self Employed persons earning a reasonably large income take care to accumulate savings for a rainy day - savings which are likely to be large enough, in most cases, to disqualify them from National Assistance - one inclines to the conclusion that only a minority of persons now liable to be insured under the proposed schemes - a small minority perhaps - will ever be 'spared' from National Assistance.

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(D) INCOME LIMIT OF COMPULSORY INSURANCE

8. Although this is not a budgetary matter it may be opportune here to say something about the notion of an 'income limit' as proposed in the Hon. Minister of Emigration Labour and Social Welfare's submissions to Cabinet. That there should be some such limit, in order to spare the really hard up elements from having to make contibution payments out of inadequate resources, seems beyond question. What is, however, open to doubt is whether this limit should in fact be the same for all - men or women, single or married, with or without dependants - since minimum income 'requirements' naturally vary according to the number of heads each income has to sustain. Obviously a single person earning less than £104 may in fact be better able to find the means to contribute than another earning twice that figure but who has in fact a household of four or more persons on his back. One is therefore prompted to ask whether hardship circumstances, occurring in family units where the income earner is getting more than £104, will be deemed to be a valid reason for noncontribution for the purposes of paragraph 22 of Hon. M.E.L.S.W.'s memo. If not then it may be a matter for consideration whether the 'income limit' ought not in fact to be a variable quantity, according to a scaled 'means test' perhaps on the basis of, or somewhat similar to, the Social Assistance scale rates in force in terms of the National Assistance Act.

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