

Memorandum submitted to Cabinet
by the Hon. Minister of Labour, Employment and Welfare on
Social Security Adjustments and Improvements

The financial position of the National Insurance Scheme at the end of 1969 has been reviewed. It is recalled that at the beginning of 1969 the Director of Social Services carried out a detailed survey of the development of the Scheme up to the end of 1968, and his report dated 21st February, 1969 was submitted to Cabinet attached to a Memo on the 10th March, 1969. The Director of Social Services has also reported on the following proposals for improvements in the National Insurance Scheme:

- A) Increase of all pension rates in proportion to the change shown in the Index of Retail Prices between December 1965 and December 1969;
- B) Increase of all other benefit rates in proportion to the change shown in the Index of Retail Prices between December 1962 and December 1969;
- C) Lowering of insured men's pension age from 63 to 60 years;
- D) Introduction of a National Health Insurance Scheme.

Adjustment of National Insurance Scheme

2. The financial position of the National Insurance Scheme at the end of 1969 is shown clearly in Tables 1 and 2 hereunder:

Table 1

Revenue and Expenditure in 1969

<u>Revenue</u>	£	<u>Expenditure</u>	£
Contributions	729,309	Total Payments	1,531,939
State Grant	372,289		
Interest	87,058		
Excess of Expenditure	343,283		
	<u>£1,531,939</u>		<u>£1,531,939</u>

Table 2Balance of N.I. Fund at End of 1969

	£		£
Balance January 1969	1,652,058	Excess Expenditure in 1969	343,283
		Balance at end of 1969	1,308,775
	£1,652,058		£1,652,058

In the above tables appreciation or depreciation of securities, and any amount accruing on the maturity of securities, which are relatively of negligible importance, have not been taken into account.

3. The most serious cause for preoccupation is the expenditure on pensions. In 1969 the payments for Old Age Pension and Widow's Pension alone were over £883,000 and over £258,000 respectively, making a total between them of nearly £1,142,000. The income from all contributions and State Grant amounted to £1,101,600. Thus the payment for these two benefits only exceeded that income by over £40,000.

4. At the end of 1969 the number of old age pensioners was 6,920. From the beginning of February, 1970, another 2,690 new old age pensions have been awarded and this is not the final figure.

5. It is estimated that on present conditions and trends, at the end of 1970 total benefit payments will exceed the total income of the National Insurance Fund by about £826,000, and in consequence the balance of the fund will go down to about £482,000. To redress this situation the Director of Social Services has recommended an increase of 75 per cent in all contribution rates with effect from the first week in August, as the earliest possible date. He has estimated that as a result of this increase the balance in the Fund at the end of 1970 would be about £780,000, instead of about £482,000.

6. It has been estimated that this measure would increase public expenditure up to the end of March 1971 by about £226,000, which is made up of £42,000 as Government's

contributions/.....

contributions as employer, and £184,000 as State Grant.

Improvements in National Insurance Scheme

7. It is proposed that all benefit rates should be increased in proportion to the changes which have taken place in the Index of Retail Prices since the benefits were last revised..

8. Pension rates were last revised in January, 1966. It has been found that the change which has taken place in the Index of Retail Prices between December 1965 and December 1969 amounts to 6.18 per cent. On this basis, basic pension rates should be increased by 2s/6d per week. This proposal would raise the basic pension rate to £2. 2s. 6d. per week, and the married man's rate from £3 to £3. 3s. 9d. per week. It is recalled that the non-contributory old age pension to a married couple now amounts to £3. 5s. per week.

9. Other benefit rates were revised with effect from January 1963. Between December 1962 and December 1969 the Index of Retail Prices rose by 11.2 per cent. On this basis the sickness and unemployment benefit rate payable to a single man, for instance, has to be increased from 36/- to 40/-, and that payable to a married man from 54s/- to 60s/- per week. A woman's rate would be increased from 27s/- to 30s/- per week.

10. To meet the additional cost of this revision in all benefit rates, a 7 per cent increase in all contribution rates is suggested. It is estimated that for the period from the first week in August 1970, to the end of March 1971 this revision of contribution rates would cause an increase of £39,000 in public expenditure.

Lowering of Men's Pension Age

11. In a Memorandum submitted to Cabinet on the 30th October, 1967, it was proposed, inter alia, that pension age for men should be reduced from 63 years to 60 years. It was explained that when on the 20th October, 1967, the Actuary reported on the working of the National Insurance Scheme during the 5 years ending March 1966, he recommended that to reduce the pension

age for men from 55 to 60 years, the contribution rate payable by each party in respect of an 'Employed Man' should be increased by 1s/- per week. With this suggestion the Actuary also gave an estimate of the additional payments which would result from such a reduction in the pension age. In view of the fact that since then more than 2 years have passed, the Director of Social Services cannot say whether these estimates still hold good. However, assuming that they still hold good, and that a reduction in pension age will be accompanied or preceded by an increase of 1s/- in the contribution payable by each party in all men's contribution rates, he has estimated that in the period from the first week in August 1970, to the end of March 1971, this measure would cause an additional expense of £159,000 out of public funds.

Introduction of a Health Insurance Scheme

12. On the 19th October, 1968, a Memorandum was submitted to Cabinet in which it was explained that a joint mission from the World Health Organisation and International Labour Organisation had visited Malta from the 15th July to the 8th August, 1968, to study the proposal for a Health Insurance Scheme. When that memo was submitted, the Joint Mission had not yet reported on their work. However, before they left Malta the experts had indicated that their examination of the proposal was not going to be an actuarial study, which was not possible in view of the fact that the required statistical information was not available. In that Memo it was suggested that the proposed Health Insurance Scheme should be introduced and that the relative contribution for an employed man should be 4s/4d a week.

13. Subsequently the Director of Social Services carried out a study of the proposed Health Insurance Scheme, and he submitted his report on the 26th November, 1968. The Director, after making it clear that his study was not an actuarial one, estimated that, on the basis of an increase of 4s/4d in the joint contribution payable in respect of an employed man, with proportionate increases in all other contribution rates, there would be an increase in public expenditure for the purpose of financing the Health Insurance

Scheme/.....

Scheme of about £295,000 in a full year. He has now estimated that, on the same basis, for the period August 1970 to end of March 1971 the additional expense for the Scheme out of public funds would be about £340,000.

14. In the report subsequently received from the experts on the 3rd March, 1969, it was recommended that the joint contribution payable by an employed man and his employer for Health Insurance should be 8s/- per week. It is considered that such an increase would make the total National Insurance and Health Insurance rates far too high. For this reason it is considered that the proposal for an increase of 4s/4d in the joint contribution rate for an employed man should be adopted.

15. On the 3rd February, 1970, it was decided in Cabinet that a Committee should be appointed to make detailed studies of the proposed Scheme. The Committee was appointed on the 6th February and it has been working since then. In view of the imminent finalisation of the Estimates for next year, it is recommended that the proposal to introduce a Health Insurance Scheme be provisionally agreed to, and that appropriate financial provisions be made on the basis of the estimates given.

Recapitulation

16. Honourable Ministers have before them the following proposals together with the estimated expense out of public funds during the period August 1970 to March 1971:

a) To adjust financial position of National Insurance Fund	£226,000
b) To increase all benefit rates	£ 39,000
c) To lower men's pension age to 60 years	£139,000
d) To introduce a Health Insurance Scheme	£340,000
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Estimated Total:	£744,000
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17. The proposed revision of contribution rates is given in the attached Appendix, but it is considered that for

Health/.....

Health Insurance Women's contribution rates should be somewhat higher than those shown in the Appendix so that the proportion to men's rates will be about 80%, instead of from 64% to 66% as in National Insurance rates.

Recommendation

18. Honourable Ministers are requested to decide on the measures proposed in the foregoing paragraphs. The attention of Honourable Ministers is drawn to the fact that the measures to re-establish the stability of the National Insurance Fund are long overdue. Failing action the Fund will go bankrupt within a year.

2 March, 1970.

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Basic National Insurance Benefit Rates

Type of Benefit	Rate of Benefit as in January 1963	Current Rate	Proposed Rate based on Index of Retail Prices	Add Increase for wife	
				Current Rate	Proposed Increase
(1)	(2)	(3)	(4)	(5)	(6)
Sickness					
men	36/-	36/-	40/-	18/-	2/-
women	27/-	27/-	30/-		
Unemployment					
Men	36/-	36/-	40/-	18/-	2/-
Women	27/-	27/-	30/-		
Widow's Pension	36/-	40/-	42/6		
Old Age Pension	36/-	40/-	42/6	20/-	1/3
Guardian's Allowance	9/-	10/-	10/6		
Injury Benefit					
men	45/-	45/-	50/-	18/-	2/-
women	36/-	36/-	40/-		
boys/girls	18/-	18/-	20/-		
Widow's Benefit	40/6	45/-	48/-		
Widow's allowance	15/-	16/8	18/-		
Orphan's allowance	13/6	15/-	16/-		
Parent's allowance	36/-	40/-	42/6	20/-	1/3
Marriage Grant	£15 . . .	£15	£16 16s		
Disablement Gratuity	£124 16s	£140 6s 8d	£149 2s		
Disablement Pension	36/-	40/-	42/6	20/-	1/3
Invalidity Pension	-	40/-	42/6	20/-	1/3
Widow's Special Allowance	-	14/6	15/6		

It is proposed that the increase of 4s. 6d. for each child under 16 years currently payable in addition to a widow's pension, widow's benefit and widower's benefit be increased to 5/- per week.

Current and proposed Revised Contribution Rates

	EMPLOYED				SELF-EMPLOYED		NON-EMPLOYED	
	Man	Woman	Boy	Girl	Man	Woman	Man	Woman
	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.	s. d.
Current Rates	3. 8	2. 4	-.10	-. 6	3. 2	2. -	2. 3	1. 6
Revision of Rates:								
(a) To adjust National Insurance Fund	2. 8	1.10	-. 8	-. 6	2. 5	1. 6	1. 9	1. 2
Total	6. 4	4. 2	1. 6	1. -	5. 7	3. 6	4. -	2. 8
(b) To increase Benefit Rates	-. 6	-. 4	-. 2	-. 2	-. 5	-. 3	-. 4	-. 2
Total	6.10	4. 6	1. 8	1. 2	6. -	3. 9	4. 4	2. 10
(c) To lower Man's Pension Age	2. -				1. 9		1. 3	
Total	8.10	4. 6	1. 8	1. 2	7. 9	3. 9	5. 7	2. 10
(d) For Health Insurance	4. 4	2. 9	1. -	-. 7	4. 4	2. 4	2. 8	1. 9
Total	13. 2	7. 3	2. 8	1. 9	12. 1	6. 1	8. 3	4. 7

Notes:

In regard to Health Insurance contributions, see also modifications proposed in paragraphs 21 and 22 of the report by Director of Social Services dated 21st February, 1970, namely:

Woman Employed and Self-Employed	3s. 6d.
Employed girl	10d.
Non-Employed Man	2s. 2d.
Non-Employed Woman	1s. 5d.

Contributions payable in respect of employed persons are shared equally by the employee and the employer.