

# News Release



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## Government Finance

### Government expenditure on Social Security Benefits: January-June 2006

*Expenditure on social security benefits rose by 5.8% during the first half of 2006, driven mainly by outlays on pensions in respect of retirement.*

Total expenditure on social security benefits amounted to Lm119.3 million during the first half of 2006, up by Lm6.5 million over the same period of last year. As Table 1 shows, this reflected mainly higher expenditure on contributory benefits, as non-contributory benefits rose only marginally.

In turn, the increase in contributory benefits was driven mainly by a Lm4.8 million growth in pensions in respect of retirement, which amounted to Lm53.4 million during the first half of 2006. This increase was primarily underpinned by outlays on the Two-Thirds pension, in part reflecting a rise in the number of beneficiaries. Pensions in respect of invalidity rose marginally during the survey period, while benefits relating to industrial injuries declined. There were increases in other contributory benefits, which although relatively small in absolute terms, were significant in percentage terms. These concerned expenditure on unemployment, maternity and marriage benefits and grants.

In the first six months of 2006, non-contributory benefits increased marginally over the same period in 2005. Within this category there was an 8.5 per cent rise in outlays on Old Age Pensions, contrasted by smaller increases or declines in other non-contributory benefits. In particular, children's allowances dropped by 3.7 per cent during the survey period.

A glossary at the end of this release defines the major pensions, grants and other benefits ■

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Table 1. Comparative Social Security Benefits (Jan-Jun)

Description	Jan-Jun 2004	Jan-Jun 2005	Jan-Jun 2006	Jan-Jun 2006/ Jan-Jun 2005	
				Absolute Change	% change
	Lm thousands				
<b>Contributory Benefits</b>	<b>77,555</b>	<b>82,953</b>	<b>89,050</b>	<b>6,096</b>	<b>7.3</b>
Pensions in respect of Retirement	45,029	48,586	53,382	4,796	9.9
Retirement Pension	7,363	8,089	8,461	372	4.6
National Minimum Pension	5,254	5,440	5,596	156	2.9
Increased Retirement Pension	3,551	2,991	2,766	-224	-7.5
Two-thirds Pension	27,405	30,472	34,576	4,104	13.5
Increased National Minimum Pension	1,346	1,456	1,850	394	27.0
Decreased National Minimum Pension	110	138	132	-6	-4.1
Pensions in respect of Invalidity	7,003	7,393	7,542	149	2.0
Invalidity Pension	1,077	1,139	1,161	23	2.0
Increased Invalidity Pension	338	311	290	-21	-6.8
National Minimum Invalidity Pension	5,569	5,921	6,074	152	2.6
Decreased National Minimum Invalidity Pension	20	21	16	-5	-22.7
Pensions in respect of Widowhood	17,490	18,734	19,524	791	4.2
Widows' Pension	1,854	2,198	1,980	-218	-9.9
Early Survivors' Pension	2,549	2,720	2,822	102	3.8
Survivors' Pension	4,853	5,343	5,912	569	10.6
National Minimum Widows' Pension	8,233	8,473	8,811	338	4.0
Widows' Special Allowance	0	0	0	0	0.0
Benefit in Respect of Industrial Injuries and Gratuities	344	385	337	-48	-12.3
Injury Benefit	219	261	244	-18	-6.7
Injury Pension	73	76	74	-2	-2.5
Injury Gratuity	52	48	20	-28	-58.2
Other Benefits	2,192	2,070	2,276	206	10.0
Unemployment Benefit	502	375	429	54	14.4
Special Unemployment Benefit	288	214	248	34	15.9
Maternity Benefit	314	323	361	38	11.8
Sickness Benefit	975	1,038	1,108	70	6.8
Orphans' Allowance	9	7	10	3	48.1
Marriage Grant	96	106	117	11	10.4
Re-Marriage Gratuity	8	8	3	-5	-60.2
Bonus	5,497	5,787	5,989	202	3.5
<b>Non-Contributory Benefits</b>	<b>28,542</b>	<b>29,780</b>	<b>30,211</b>	<b>431</b>	<b>1.4</b>
Children's Allowance	7,505	7,096	6,832	-264	-3.7
Old Age Pension	2,756	3,049	3,308	259	8.5
Disability Pensions/Allowance	1,534	1,710	1,763	54	3.1
Social Assistance	10,764	11,660	11,898	238	2.0
Medical Assistance	3,132	3,407	3,509	102	3.0
Supplementary Assistance	1,264	1,271	1,257	-14	-1.1
Bonus	1,587	1,588	1,644	56	3.5
<b>Total Social Security Benefits</b>	<b>106,097</b>	<b>112,733</b>	<b>119,260</b>	<b>6,527</b>	<b>5.8</b>

Table 2. Comparative Social Security Benefits (Apr-Jun)

Description	Apr-Jun 2004	Apr-Jun 2005	Apr-Jun 2006	Apr-Jun 2006/ Apr-Jun 2005	
				Absolute Change	% change
	Lm thousands				
<b>Contributory Benefits</b>	<b>39,294</b>	<b>42,161</b>	<b>44,743</b>	<b>2,582</b>	<b>6.1</b>
Pensions in respect of Retirement	20,050	21,743	23,759	2,015	9.3
Retirement Pension	3,354	3,517	3,719	201	5.7
National Minimum Pension	2,709	2,721	2,766	46	1.7
Increased Retirement Pension	1,323	1,292	1,186	-106	-8.2
Two-thirds Pension	11,906	13,419	15,052	1,633	12.2
Increased National Minimum Pension	711	736	981	244	33.2
Decreased National Minimum Pension	47	58	55	-3	-5.4
Pensions in respect of Invalidity	3,578	3,720	3,735	15	0.4
Invalidity Pension	559	574	569	-5	-0.8
Increased Invalidity Pension	168	154	141	-13	-8.3
National Minimum Invalidity Pension	2,843	2,982	3,016	35	1.2
Decreased National Minimum Invalidity Pension	8	10	8	-2	-22.4
Pensions in respect of Widowhood	10,019	10,804	11,226	423	3.9
Widows' Pension	1,023	1,304	1,194	-110	-8.5
Early Survivors' Pension	1,461	1,565	1,618	53	3.4
Survivors' Pension	2,819	3,089	3,404	315	10.2
National Minimum Widows' Pension	4,716	4,845	5,010	164	3.4
Widows' Special Allowance	0	0	0	0	0.0
Benefit in Respect of Industrial Injuries and Gratuities	182	187	173	-14	-7.2
Injury Benefit	117	120	132	12	9.8
Injury Pension	37	36	37	1	1.7
Injury Gratuity	28	30	4	-26	-86.2
Other Benefits	1,028	1,077	1,065	-12	-1.1
Unemployment Benefit	226	182	194	12	6.5
Special Unemployment Benefit	139	96	122	26	27.5
Maternity Benefit	151	157	166	9	5.6
Sickness Benefit	446	576	509	-67	-11.7
Orphans' Allowance	5	3	7	3	90.5
Marriage Grant	57	63	68	5	7.6
Re-Marriage Gratuity	4	0	0	0	0.0
Bonus	4,437	4,630	4,785	155	3.4
<b>Non-Contributory Benefits</b>	<b>14,539</b>	<b>15,133</b>	<b>15,298</b>	<b>165</b>	<b>1.1</b>
Children's Allowance	3,759	3,562	3,377	-185	-5.2
Old Age Pension	1,380	1,557	1,676	119	7.7
Disability Pensions/Allowance	766	866	887	21	2.4
Social Assistance	4,947	5,231	5,409	179	3.4
Medical Assistance	1,793	1,991	2,010	19	0.9
Supplementary Assistance	642	650	635	-16	-2.4
Bonus	1,251	1,275	1,303	28	2.2
<b>Total Social Security Benefits</b>	<b>53,833</b>	<b>57,293</b>	<b>60,041</b>	<b>2,748</b>	<b>4.8</b>

## Glossary

**Children's Allowance** is payable to locally resident female citizens of Malta who have the care of children under 16 years of age, and where the household income does not exceed an established level.

**Contributory Benefits:** The local contributory scheme is a system where an employee, self-occupied or self-employed person pays a weekly contribution as laid down in the Social Security Act, through a 'pay as you earn' system. All the pensions and other allowances payable under this scheme are subject to some form of contribution tests depending on the type of benefit claimed.

**Decreased National Minimum Pension** where a person is entitled to a service pension and this service pension together with the rate of retirement pension or increased retirement pension is less than the rate of national minimum pension, such a person shall be entitled to the National minimum pension reduced by the service pension.

**Increased Retirement Pension** applies to cases where the sum total of a person's service pension together with the rate of retirement pension applicable are lower than two-thirds of the person's pensionable income.

**Injury Benefit:** This benefit is payable for injury at work or contraction of industrial disease. Maximum entitlement is limited to 12 months.

**Injury Gratuity** is a lump sum payment payable to a person following injury at work. It is applicable when the degree of disability is estimated between 1% and 19%.

**Injury Pension** is payable if injury or disease caused or contracted whilst at work is considered to have caused a loss of physical or mental faculty calculated between 20% and 89%. Rates awarded vary according to the degree of disability. Where the degree of disablement is assessed at 90% and over, the person concerned is automatically awarded an Invalidity Pension at the full rate.

**Invalidity Pension** is payable to persons deemed permanently incapable for suitable full-time or regular part-time employment. There are various rates according to different conditions.

**Marriage Grant** is a one-time payment payable upon marriage to persons ordinarily resident in Malta. To be eligible a person must be employed, self-employed or self-occupied for at least six months at any time prior to his marriage.

**Maternity Benefit** is payable to locally resident pregnant citizens of Malta in respect of the last 8 weeks of pregnancy and the first 5 weeks after childbirth. This benefit is only payable if the female is not entitled to maternity leave from her employer, if employed.

**Medical Assistance** is a benefit payable to persons suffering from a chronic disease or condition that requires special diet.

**National Minimum Pension / Increased National Minimum Pension** is payable to a person who is not in receipt of a Service pension from an employer. The rates applicable are four-fifths of the National Minimum Wage in the case of a married man maintaining a wife and two-thirds of the National Minimum Wage in the case of any other person.

**Non-Contributory Benefits:** The non-contributory scheme was set up to act as a safety net by catering for those below the 'poverty line'. Unlike the contributory scheme, the benefits within the non-contributory scheme are not based on the contributions, but on a financial means-test of the person claiming the benefit.

**Old Age Pension** is payable to citizens of Malta over 60 years of age, provided that their income does not exceed an established level.

**Orphans' Allowance** is a weekly allowance paid to a guardian of a child or children who are under 16 years of age.

**Orphans' Supplementary Allowance** is a further weekly allowance paid to a guardian of a child or children aged between 16 years and 21 years who are not following any gainful occupation the gross earnings of which exceeds the national income wage.

**Pensions in respect of Disability** are payable to citizens of Malta over 16 years of age.

**Re-marriage Grant** is payable to a widow who remarries and hence forfeits her right to a widow's pension. The payment is equivalent to one year's widows' pension.

**Retirement Pension** is payable on reaching pension age (61 in the case of males and 60 for females). The rates and types of categories vary according to a range of statutory conditions.

**Sickness Benefit:** Entitlement of 156 days but may in certain cases be extended to 312 days. The first three days of each new claim for this benefit are not paid.

**Social Assistance** is payable to heads of households who are either unemployed or seeking employment and whose relative financial means falls below that established by the Social Security Act. This benefit is also payable to single or widowed females who lack financial resources and who are caring for an elderly or physically/mentally handicapped relative on a full-time basis.

**Special Unemployment Benefit:** entitlement is also for a maximum of 156 days but at a higher rate than unemployment benefit. This benefit is applicable to persons who would qualify for non-contributory Social Assistance.

**Supplementary Assistance** is payable to households where the total income of the members falls below the limits established by the Social Security Act.

**Survivors' Pension** is payable to a widow whose husband was entitled to a two-thirds pension or whose husband would have been entitled to a pension had he reached retiring age at the time of his death

**Two-Thirds Pension** is a pension related to earnings, payable to persons who have retired after January 1979. This scheme provides for a pension equivalent to two-thirds of the insured person's pensionable income. Maximum and minimum rates are applicable.

**Unemployment Benefit** is payable to unemployed persons for a maximum period of 156 days. This benefit is considered as a short-term benefit. Subsequently unemployed persons may qualify for long-term benefits under 'Social Assistance'.

**Widows' Pension** is payable to widows, irrespective of age, who are not gainfully occupied, who are occupied but earning less than the national minimum wage, or who are carrying out gainful activities but have the care and custody of children under 16 years of age. Rates may vary according to conditions outlined in the Social Security Act (Social Security Act, Part IV, and subsequent amendments). Any reference to a widow also means a widower.

#### **Methodological notes:**

The data provided in this release is extracted from the administrative records of the Social Security Department which are based on the Consolidated Fund of Government. As such this data is not normally subject to revision.