

# News Release



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## **Government Finance**

### **Government expenditure on Social Security Benefits: January-December 2006**

*Expenditure on social security benefits increased by 5.7 % during 2006, due to higher outlays on pensions in respect of retirement.*

Total expenditure on social security benefits during 2006 increased by Lm12.6 million or 5.7 per cent compared to 2005, and amounted to Lm233.5 million. For both years, the outlay on social security benefits made up 11.1 per cent of the GDP at current market prices.

The pensions in respect of retirement, which is the main component of contributory benefits, increased by Lm8.6 million, due to an additional outlay of Lm7.3 million in the two-thirds pensions. This increase was brought about by a net increase in the number of beneficiaries. The outlay on the retirement pension also added Lm1.0 million, although this was in part offset by a decline of Lm0.5 million in the increased retirement pension.

The pensions in respect of widowhood also added Lm1.9 million, mainly on account of the survivors' pension which made up Lm1.1 million of this increase.

In 2006, non-contributory benefits increased by Lm1.5 million or 2.6 per cent over the previous year. Within this category, social assistance and old-age pension added Lm0.7 million and Lm0.5 million respectively.

Expenditure on social security benefits during the last quarter of 2006 registered an increase of Lm1.9 million, or 3.3 per cent. This was essentially brought about by an additional outlay of Lm1.3 million in the two-thirds pension.

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-Dec)

Description	Jan-Dec 2004	Jan-Dec 2005	Jan-Dec 2006	Jan-Dec 2006/ Jan-Dec 2005	
				Absolute Change	% change
	Lm thousands				
<b>Contributory Benefits</b>	<b>151,268</b>	<b>162,859</b>	<b>174,013</b>	<b>11,154</b>	<b>6.8</b>
Pensions in respect of Retirement	86,447	94,870	103,495	8,625	9.1
Retirement Pension	14,330	15,838	16,839	1,002	6.3
National Minimum Pension	11,393	11,619	11,832	213	1.8
Increased Retirement Pension	5,887	5,631	5,083	-548	-9.7
Two-thirds Pension	51,684	58,373	65,659	7,286	12.5
Increased National Minimum Pension	2,949	3,160	3,842	682	21.6
Decreased National Minimum Pension	204	250	240	-10	-4.2
Pensions in respect of Invalidity	15,426	16,081	16,116	35	0.2
Invalidity Pension	2,485	2,547	2,528	-18	-0.7
Increased Invalidity Pension	706	664	608	-56	-8.4
National Minimum Invalidity Pension	12,185	12,827	12,944	117	0.9
Decreased National Minimum Invalidity Pension	50	43	36	-8	-17.5
Pensions in respect of Widowhood	33,245	35,319	37,186	1,866	5.3
Widows' Pension	3,972	4,268	4,154	-114	-2.7
Early Survivors' Pension	4,780	5,091	5,247	156	3.1
Survivors' Pension	9,161	10,165	11,216	1,051	10.3
National Minimum Widows' Pension	15,332	15,795	16,568	773	4.9
Benefit in Respect of Industrial Injuries and Gratuities	745	754	739	-15	-2.0
Injury Benefit	484	521	528	7	1.3
Injury Pension	158	159	158	-1	-0.7
Injury Gratuity	103	74	53	-21	-28.6
Other Benefits	4,205	4,219	4,489	270	6.4
Unemployment Benefit	894	704	769	65	9.2
Special Unemployment Benefit	485	389	420	31	8.1
Maternity Benefit	627	664	714	50	7.5
Sickness Benefit	1,890	2,149	2,254	105	4.9
Orphans' Allowance	17	13	22	9	72.8
Marriage Grant	278	285	300	15	5.2
Re-Marriage Gratuity	14	15	10	-5	-33.5
Bonus	11,200	11,616	11,989	373	3.2
<b>Non-Contributory Benefits</b>	<b>56,191</b>	<b>57,971</b>	<b>59,460</b>	<b>1,489</b>	<b>2.6</b>
Children's Allowance	14,285	13,553	13,307	-246	-1.8
Old Age Pension	6,268	6,816	7,294	477	7.0
Disability Pensions/Allowance	3,378	3,708	3,856	148	4.0
Social Assistance	20,769	22,014	22,753	739	3.4
Medical Assistance	5,788	6,217	6,500	283	4.6
Supplementary Assistance	2,528	2,474	2,462	-12	-0.5
Bonus	3,175	3,189	3,289	100	3.1
<b>Total Social Security Benefits</b>	<b>207,458</b>	<b>220,830</b>	<b>233,473</b>	<b>12,643</b>	<b>5.7</b>
Gross Domestic Product	1,888,383	1,990,499	2,099,559		
Total Social Security Benefits as a % of GDP	10.99	11.09	11.12		

Table 2. Comparative Social Security Benefits (Oct-Dec)

Description	Oct-Dec 2004	Oct-Dec 2005	Oct-Dec 2006	Oct-Dec 2006/ Oct-Dec 2005	
				Absolute Change	% change
				Lm thousands	
<b>Contributory Benefits</b>	<b>37,110</b>	<b>41,756</b>	<b>43,414</b>	<b>1,658</b>	<b>4.0</b>
Pensions in respect of Retirement	20,115	23,402	24,659	1,257	5.4
Retirement Pension	3,285	4,034	4,171	136	3.4
National Minimum Pension	2,727	2,685	2,697	11	0.4
Increased Retirement Pension	1,161	1,432	1,139	-293	-20.4
Two-thirds Pension	12,213	14,416	15,727	1,311	9.1
Increased National Minimum Pension	683	779	872	94	12.0
Decreased National Minimum Pension	46	56	53	-4	-6.4
Pensions in respect of Invalidity	3,599	3,755	3,670	-85	-2.3
Invalidity Pension	614	616	585	-31	-5.1
Increased Invalidity Pension	155	149	135	-15	-9.8
National Minimum Invalidity Pension	2,815	2,981	2,942	-39	-1.3
Decreased National Minimum Invalidity Pension	15	9	9	0	1.2
Pensions in respect of Widowhood	7,617	8,637	8,884	247	2.9
Widows' Pension	811	1,195	1,136	-60	-5.0
Early Survivors' Pension	1,119	1,203	1,196	-7	-0.6
Survivors' Pension	2,161	2,473	2,664	191	7.7
National Minimum Widows' Pension	3,526	3,767	3,889	122	3.2
Benefit in Respect of Industrial Injuries and Gratuities	197	192	199	8	4.0
Injury Benefit	138	143	150	7	4.6
Injury Pension	37	35	36	0	0.7
Injury Gratuity	23	13	14	1	5.7
Other Benefits	1,031	1,111	1,168	57	5.1
Unemployment Benefit	192	175	171	-4	-2.4
Special Unemployment Benefit	103	98	93	-5	-5.0
Maternity Benefit	169	181	187	6	3.2
Sickness Benefit	482	566	626	60	10.5
Orphans' Allowance	3	3	6	3	105.7
Marriage Grant	79	81	80	-1	-1.3
Re-Marriage Gratuity	2	7	5	-2	0.0
Bonus	4,551	4,658	4,833	175	3.7
<b>Non-Contributory Benefits</b>	<b>14,787</b>	<b>15,388</b>	<b>15,622</b>	<b>234</b>	<b>1.5</b>
Children's Allowance	3,442	3,402	3,261	-141	-4.2
Old Age Pension	1,977	2,217	2,300	83	3.8
Disability Pensions/Allowance	1,049	1,149	1,205	56	4.8
Social Assistance	5,059	5,284	5,430	146	2.8
Medical Assistance	1,324	1,409	1,491	82	5.8
Supplementary Assistance	640	618	596	-22	-3.6
Bonus	1,297	1,309	1,339	30	2.3
<b>Total Social Security Benefits</b>	<b>51,897</b>	<b>57,144</b>	<b>59,036</b>	<b>1,891</b>	<b>3.3</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 tes 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 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.