Background

Europe 2020 is the European Commission’s strategy for smart, sustainable and inclusive growth. The strategy aims not only to restore and regenerate Europe’s economy following the financial crises; more importantly it also highlights the significance of achieving growth that is smarter, more sustainable and more inclusive. Five headline targets have been set in order to measure the success of such strategy. These cover employment, research and development, climate and energy, education and poverty. This means that all Member States, including Malta, are bound to attain specific targets as agreed with the European Commission.

Government is committed to deliver on all fronts, especially on employment and the labour market. It is why in its first budget, government announced a number of initiatives under the flagship of ‘Making Work Pay’. Breakfast clubs for primary students, free childcare for working parents, tapering of social benefits and tax incentives related to hiring and take-up of work, form part of the Jobs+ strategy. The scope of such supply-side measures is dual as the initiatives will alleviate both the working poor and facilitate the entrance in the labour market of inactive persons who are at-risk-of-poverty.

Government is confident that such policies, together with others that will be announced in the remaining of the legislature will bring about a turnaround in the Maltese labour market. Nevertheless, the benefits of such measures lie in successful implementation. Although government is allocating the necessary resources to achieve such outcome, this is not enough. Government believes that the private sector is a strategic partner in all this. Outcome effectiveness and resource efficiency can be achieved through close collaboration between government and the private sector. Public Private Partnerships (PPPs) are an ideal setup. Government intends to deliver free childcare through PPPs and would like to explore whether there is private interest in the training and job placing of tapering beneficiaries.

Objectives

To date, Malta’s labour market policy has been mainly biased in favour of a passive approach. Over time the social safety net has been extended to cover a multitude of social problems. Inadvertently, the unintended consequences of such extension lead to a dependency problem.

It is widely believed that social benefits in Malta lead to a comfortable way of life. This is absolutely not the case. Eurostat figures confirm that Malta has among the highest at-risk-of-poverty rates among social benefit dependants. At the same time, the welfare system is designed in such a way that it encourages dependency and penalises the take-up of work.

Government is committed to challenge the status-quo by endorsing progressive making-work policies. As announced in the budget for 2014, the current social security rules will be amended to permit the tapering of the social benefits. Tapering refers to the gradual reduction of benefit income when a beneficiary takes-up work. This transition should help beneficiaries to adapt and re-integrate back in the labour market without fearing cash flow problems in the event of redundancy.
The tapering rates that will apply are as per below:

<table>
<thead>
<tr>
<th></th>
<th>Year 1</th>
<th>Year 2</th>
<th>Year 3</th>
</tr>
</thead>
<tbody>
<tr>
<td>Training &amp; Placement Fund</td>
<td>10%</td>
<td>30%</td>
<td>50%</td>
</tr>
<tr>
<td>Employer</td>
<td>25%</td>
<td>25%</td>
<td>25%</td>
</tr>
<tr>
<td>Beneficiary</td>
<td>65%</td>
<td>45%</td>
<td>25%</td>
</tr>
</tbody>
</table>

In year 1, a beneficiary who takes up a job will retain 65% of the benefit (the benefit amount is non-taxable). The retained benefit will go down to 45% during year 2 and 25% during year 3. The employer of the beneficiary will get 25% of the benefit throughout the 3 years. The employers’ subsidy is intended to make up for any productivity losses.

This initiative is intended not only to increase employment levels but also to boost productivity. To this end, the residual – after tapering and the employers’ subsidy – will be deposited in a training and placement fund. The training and placement fund will have a dual role i) to finance training initiatives aimed at improving the general level of skills of the workforce, ii) to finance placement services.

**Target group**

In all, there are about 9,555 persons who are eligible to benefit from tapering. The breakdown of beneficiaries is as follows: 4,994 persons receive Social Assistance\(^1\), 2,467 Social Assistance for Single Unmarried Parents\(^2\) and 2,094 are on Unemployment Assistance\(^3\).

Out of the 7,461 persons who are eligible for Social Assistance, circa 74% are females with children under 16 years of age, with a mean age of 33 years. Females without children or with children over 23 years of age account for circa 26%. Their mean age is 50 years.

The majority of Unemployment Assistance beneficiaries – 84 per cent – are males. Half of all males are under 40 years of age. Females account for 16 per cent of the Unemployment Assistance population, of which 55 per cent are under 40 years of age.

Beneficiaries who have been on social benefits for at least 24 months during the last 36 months from when applying to tapering will be eligible to benefit from the initiative. There is no unemployment registration requirement for Social Assistance beneficiaries who decide to benefit from tapering.

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\(^1\) Head of households who are inactive due to medical reason, legally separated women and single parents.

\(^2\) Single Parents who live with their family are entitled to receive 75% of the Social Assistance benefit.

\(^3\) Head of households who have been registering under Part 1 for more than 6 months.
Profiling

To facilitate the re-integration of beneficiaries in the labour market, the Ministry for Education and Employment (MEDE) is committed to conduct a profiling exercise among those who are eligible to benefit from tapering. Beneficiaries who voluntarily express the wish to take-up work will be encouraged and if necessary helped to fill-in a simple questionnaire that will be sent to the relevant households.

The profiling exercise is primarily intended to facilitate the organisation of training and anticipate a priori the needs that are required to shorten the beneficiaries’ distance from the labour market. Beneficiaries will be also required to state their job preferences. This information will eventually be shared with the training and placement providers to ensure a better and more rapid response.

Supporting Tools

The Ministry for Education and Employment has already taken the necessary steps to secure European Social Funds (ESF) from the multi-annual financial framework 2014-2020 for the activation of welfare beneficiaries. The earmarked funding will be primarily used to compliment the Training and Placement fund.

Through the profiling exercise, MEDE will be in a position to identify training courses for which there is substantial demand. To benefit from economies of scale, these courses will be ESF financed, while more specific and individualised courses can be financed from the Training and Placement fund. This modus operandi will not only secure a more efficient use of resources but will also increase the effectiveness of training for every participant in the initiative.

This initiative will be co-ordinated by the Jobs+ unit within MEDE. Jobs+ will ensure that there is continuous liaison between the Department of Social Security, the Employment and Training Corporation and the training and placement providers.

Outcome Oriented Incentives

The involvement of the private sector is seen as a key element in securing a successful outcome for the beneficiaries who are willing to work. At the same time, government wants to make sure that public funds are efficiently used. It is why government intends to employ an outcome oriented incentive approach. Simply put, any payment to private providers will be based on their successful performance in landing beneficiaries into a job.

As explained in the illustration below, providers will be getting 12.5 per cent of the agreed amount in the form of an initial payment. This payment will be issued after 4 weeks from when the beneficiary contacts the provider. This period is intended such that the provider makes sure that the beneficiary is motivated and willing to undergo the necessary activities to find a job.
The provider is urged to inform MEDE once a beneficiary is successfully placed in a job. After 26 weeks elapse from the take-up of work, MEDE will issue 49.0 per cent of the agreed amount to the provider. To make sure that the beneficiary receives all the necessary support to remain in work, additional sustainment payments will be issued every 26 weeks.

**Consultation Process**

Private providers who are interested to co-ordinate the training and provide job placement services to tapering beneficiaries are requested to inform the Jobs+ unit in writing and provide the following information:

- Personal contact details of the legal person in charge of the business setting.
- Information related to the services provided by the business setting.
- Staff compliment and experience to provide such services.
- Available venues from where to deliver the service.

Providers can supply information about the training courses offered by their business setting but are not required to provide any fee details. A decision on the required training and how it will be delivered will be reached once the profiling exercise is complete.

The documents with the above information should reach Jobs+ by the 25th of April 2014. Thereafter, a consultation process will take place with the interested parties. The aim of the consultation process is to ensure a successful delivery of the initiative. Following the conclusion of the consultation process, MEDE will initiate a public procurement procedure to select the service providers.