

An interesting publication published by the National Statistics Office earlier this year is the one entitled, “Social Protection: Malta and the EU 2012”. It captures data for the period 2007 – 2011 and focuses on “all interventions by public and private bodies that are intended to relieve households and individuals of a known set of risks or needs”. Social protection systems, which I have often referred to in past contributions as social welfare, are expected to address those less advantaged in society and their expected outcome is a reduction in poverty levels.

The data on Malta shows an improved welfare system in terms of the financial resources applied. In 2011, a total of 1240 million euros were spent, representing 19% of the gross domestic product of the country. This is an increase of 27.5% over the levels of 2007, when expenditure was 972 million euros, representing 17.4 % of the gdp. Thus over a four year period a bigger share of the wealth created by the country has been devoted to social welfare. The number of beneficiaries in 2011 stood at 106,247 compared to 98,915.

The NSO report makes reference to nineteen different types of expenditure. However the bulk of the expenditure goes to social security contributory benefits which amount to just over 561 million euros, reflecting 45% of total expenditure on social welfare. There are then other elements which are worth highlighting. Health care takes up 271.6 million euros and is the second highest item of expenditure. Non contributory benefits 166.8 million euros. There are other significant items such as the Treasury pensions (86 million euros) and expenditure for the care of the elderly and the disabled (55 million euros).

There are also other items that may be considered as minor, but still worth a mention such as the 8.7 million euros spent on third country national and refugees and the 3.7 million spent on the voluntary retirement scheme of former Dockyard and Shipyard employees. Another two figures that stick out are the 8.3 million euros spent on energy benefits and the 37.3 million euros that are paid to employers as reimbursements for sick leave taken by their employees.

I know comparisons are odious but they are still worth making. On a per capita basis Malta spends around 4,000 euros on social protection. The EU average is just under 7,000 euros. There is one big spender which is Luxembourg that spends around 14,500 euros per capita on social protection. The richer countries of the EU tend to spend between 8,000 and 10,000 euros. In the EU as a whole, 28.2% of the gdp is spent on social protection. The country which allocates the highest percentage of the gdp to this expenditure is Denmark with 32.4%, followed by France, Sweden, Finland, Austria, Germany and Belgium.

There are a number of considerations that need to be made and that emerge from this data. First, is there a link between the percentage of the gdp spent on social welfare economic growth? Some will claim that the lower the percentage, the more resources are devoted directly to activities that generate growth. However data does not seem to prove that this is the case. Second, irrespective of how much is spent on social welfare, there surely needs to be a continuous analysis as to whether the ultimate outcome of reducing poverty level is being achieved. It is not the inputs that count but the outcomes. As a rider to this, there needs to be a cost benefit analysis of each item of expenditure to ensure that we get the best value for money for every euro spent.

The fourth consideration is the efforts made to combat benefit fraud. Finding out the cheaters makes politicians highly unpopular but it is ethically wrong to condone benefit fraud. Those resources could have been allocated to those that really require social welfare. We also need to ensure as a country that the generosity of the social protection systems does not serve as a disincentive to work. It is known that this happens at times, and it should not be allowed. The final consideration (and I am sure there are others to be made) is about how we define poverty and who are the so called the “new poor” in our society.

In the long run, we must appreciate that social welfare is an important tool not only to support disadvantaged individuals but to maintain social cohesion, without which our economy cannot grow.