

## **Alternattiva Demokratika – The Green Party**

### **Feedback to Pre-Budget Document 2009**

#### **SOCIAL AND ECONOMIC DEVELOPMENT**

**Introductory Chapter, Chapter 1 Economic Overview, Chapter 2 Supporting Enterprise and Job Creation, Chapter 7 Social Policy**

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#### **Economy**

##### Government Subsidies:

###### 0.19:

1. Whilst AD agrees that in general, subsidies 'should be used temporarily and in order to help the economy adjust smoothly to the full impact of any price increases', AD believes that certain services will probably still require subsidies if they are to fulfill their public function adequately, thus also fulfilling social and ecological criteria, in addition to economic criteria. Such services include (1) public transport, particularly in routes which are loss-making, and especially if frequency of buses is to increase in order to increase accessibility; and (2) water and electricity, whereby basic use should be subsidized by the Government whilst excessive use and waste should be penalized. Besides, alternative energy and energy saving devices should receive adequate incentives from the State, such as decrease in VAT or income tax rebates. Such rebates can be financed through measures such enforcement fines coming from illegal developments or from a percentage of fuel consumption.

##### Fiscal Package:

###### 0.21

2. Whilst AD is in agreement with much of Government's proposed fiscal package, AD believes that income tax reform should also benefit low-middle and middle income earners in addition to low, high, and upper-middle income earners. ALTERNATTIVA DEMOKRATIKA IS PROPOSING THAT THE 3000 LIRI (7300 EUROS) LIMIT FOR PART TIME WORK TAXED AT 15% SHOULD BE RISED TO 12000 EUROS AND THAT GOVERNMENT PENSIONERS, WHO TODAY DO NOT BENEFIT FROM THIS FLAT TAX RATE ON PART TIME WORK, SHOULD ALSO BENEFIT. AD supports redistributive and progressive forms of income tax, as these are more equitable, and also provide necessary revenue to finance Government expenditure, provided that collection is efficient. Further revenue should also be generated from companies making windfall profits such as banks and gaming companies and from proper implementation of the polluter pays principle. AD also supports Government's efforts to reduce wasteful

public expenditure in order to achieve fiscal stability. Besides, there should be shifts from tax on labour to tax on environmentally harmful practices which generate unsustainable amounts of waste, pollution and use of resources.

3. AD also proposes adequate compensation for Malta's hefty cost of living increases. In this regard Malta requires a realistic and just wage reform, which should be high on the agenda of MCESD. The next budget should seriously consider immediate reforms such as an increase in the minimum wage and tax credits (in both cases, for various income earners, also including part-timers). Besides, a review of the current methodology used for cost of living adjustments (COLA) should be carried out to verify whether such adjustments are realistic in relation to current consumption patterns. Compensation for such measures can be carried out through fiscal policy, as well as through the avoidance of unnecessary non-labour costs such as those related to bureaucracy and communication costs.

4. As regards car registration tax, AD agrees that the new system should be based on the polluter-pays principle, and also agrees that this should be based on new cars from a clearly established cut off date in order to maintain social equity. Emissions that are harmful to health and to the local and global environment (such as particulate matter, Nox, Sox and CO<sub>2</sub>) should be discouraged from all vehicles, not just passenger vehicles.

### 0.23

5. Energy surcharge: Refer to comment (2) in point 1.

6. Active Labour Measures: As already stated, AD supports active labour measures which make work pay. Besides, in order to encourage entry in the labour market and to avoid sudden shocks in people's lifestyles, AD proposes that benefits should be removed gradually, and not suddenly, once employees and entrants in the labour market exceed the limit for entitlement to benefits.

7. AD believes that the Eco-Tax should be reformed in order that harmful practices (such as unsustainable generation of waste and pollution, and unsustainable use of natural resources) are penalised whilst eco-friendly practices are encouraged. In line with the Polluter Pays Principle, eco-tax should not simply be a revenue raising mechanism but more importantly, a mechanism to encourage environmentally friendly behaviour. AD refers to success stories of eco-tax, such as the 15 Euro cent tax on plastic shopping bags in the Republic of Ireland, which has cut their use by more than 90% and raised millions of Euros in revenue.

8. Government should incentivise small local businesses through measures such as tax breaks and venture capital initiatives, especially if such businesses carry out practices which are environmentally friendly and if they employ persons from disadvantaged

categories in the labour market (e.g. female; disabled; young; ageing; ethnic minority and foreign workers)

### Economic Trends

1.22, 1.32, 1.37, 1.39

9. The difference between imports and exports is relatively large and has tended to grow over time. Appropriate policies should be adopted to encourage investment, notably by decreasing bureaucratic hurdles, offering appropriate incentives and tackling avoidable costs in areas such as transport and communications. Such policy should focus on productive and quality employment rather than cheap labour. More attention should be given to introduce reform in Malta's educational system, so as to improve the employability of youth.

10. Even though tourism partially makes up for the visible trade gap, government should take steps to ensure that the negative environmental impacts be reversed, through the creation of ecological standards for the industry. Such standards will help ensure the long-term sustainability of tourism.

11. AD also believes that local produce should be incentivised to help compensate for the imported segment of inflation. Increased production in products such as foodstuffs (including local organic production), and local markets should receive incentives from the Government. Local business tends to be beneficial not only from an economic aspect, but also results in less pollution from transport, and also helps enhance community life.

12. In order to reduce Malta's dependency on oil, which is having economic, social, and ecological impacts, AD emphasizes the need to diversify Malta's energy use. Priorities in this regard should include not only the proposed pipeline with Sicily, but, in order to obtain as much energy independence and sustainability as possible, small scale wind turbines, photovoltaic and solar panels, and other sources of renewable energy. Fiscal and financial measures should be introduced to make such choices feasible.

1.51

13. Whilst Foreign Direct Investment (FDI) is to be promoted and incentivized, attention should be given to investment originating from local sources, thus tapping the high amount of money in local hands which is being invested elsewhere.

### The Labour Market and Work

1.2; 1.58; 1.62; 1.66;

14. Work should pay. AD notes that notwithstanding recent performances, including a decrease in Malta's unemployment rate, Malta still has the lowest employment rate in the EU. Reasons for this include a lack of good job opportunities and the difference between

the minimum wage and certain social benefits is so small that it in the short run it does not pay to enter the formal labour market. Due to this, many workers, also including early school leavers, are employed in informal or undeclared work with precarious conditions. As already stated above, Government should seriously consider a COLA reform, an increase in wages, and in the minimum wage with immediate effect; tax credits; and gradual rather than sudden removal of benefits once persons enter the labour market. Family-friendly Social Policy measures such as introduction of accessible and affordable childcare centres, and availability of flexible working-hours at the workers' choice, should be introduced in order that people will not be discouraged from entering formal employment.

15. Malta also has the lowest EU employment rate as regards females and workers aged 55-64. As regards the former, AD believes in the need for legislation and policies which encourage the work-life balance, such as affordable and accessible childcare centres; flexible working hours as per workers' choice; and equity of rights amongst workers in public and private sectors. As regards the latter AD notes that Maltese sociological research has shown that ageing workers are prone to pessimism and feel disadvantaged in finding employment. Government is definitely not setting an example by introducing early retirement schemes instead of investing in the skills and experiences of such workers. Shipyards and MaltaPost are examples of this. Retraining of ageing workers should improve workers' skills and respect their dignity.

16. AD also notes the increase in precarious employment in Malta, in part-time, contractual and casual work. Government should ensure that workers in such employment, including foreign workers, are granted equal rights as full-time workers on a pro-rata basis.

17. In addition to the creation of employment in various sectors of the economy (manufacturing, services, etc.), AD believes that increased emphasis should be made in the creation of green-collar work, in areas such as production and distribution of alternative energy sources, which involves employment in various levels, such as professional, administrative, technical and agricultural.

## 2.20

18. As regards implementation and transposition of the EU Services Directive, AD believes, that whilst it is positive to have increased productivity and fair competition, at the same time this should not result in social dumping of workers who are shifted from one country to another, resulting in lower wages, inferior working conditions, and increased precariousness. The recent decisions by the European Court of Justice on cases such as Vaxholm and Ruffert, whereby national collective agreements were bypassed, are worrying in this regard. Besides, appropriate measures should be taken to safeguard the position of small enterprise.

## 2.39

19. Whilst AD agrees that enterprise should not face unnecessary bureaucracy, at the same time, it should be noted that various sections of the Public Service are understaffed, especially when it comes to middle-management.

#### 7.4

20. AD welcomes the proposed consolidation of current training programmes offered by the Employment and Training Corporation. AD emphasizes that training should respect the dignity of applicants, resulting in re-skilling and taking account of the aspirations of such workers in a realistic manner.

#### 7.5, 7.6

21. AD welcomes Government's proposal to undertake various measures and initiatives on occupational health and safety. Legislation is not enough to prevent such accidents, unless there is proper enforcement. Currently there are too few enforcement officers who have to cope with a multitude of work places, including around thousands of construction works. This is resulting in hazards not only for workers, but also to residents. The increase in precarious work, with bad conditions, and the fact that various employers do not allow their employees to join trade-unions, is definitely not helping things as regards such workers' rights.

#### Equality

#### 7.8; 7.21

22. Equality of Opportunities should be matched with equality of outcome as much as possible, particularly in sectors such as employment and education. Discrimination based on religion or belief, disability, gender, age or sexual orientation should be confronted not only at work, but also in other social spheres such as family, education and leisure.

23. Maternity leave should be increased from 3 months to 6 months to reflect the WHO recommendation to breast feed till 6 months, which has positive health benefits.

#### Housing

#### 7.19

24. AD believes that vulnerable groups should be the target of social welfare in relation to housing. These include first-time buyers who can be helped through schemes such as Government subsidies on bank loans; as well as provision of affordable social housing for low-income earners. Other vulnerable groups who deserve attention include persons entering pensionable age who are not home-owners and small enterprises that cannot cope with property costs. Government should also make use of schemes and subsidies for the restoration of old houses, as is the example of the wooden balconies scheme.

25. Increased expenditure on housing policy can be financed through fiscal measures on property speculation, from 3<sup>rd</sup> vacant property onwards. Fiscal mechanisms should encourage the renting and selling of properties which are kept vacant for speculation purposes.

### Social Security.

#### 7.20

26. Whilst AD is not against means-tests in certain benefits, AD believes that social welfare should be as universal as possible. Means-tests should be avoided as much as possible, as these can result in stigmatisation of claimants, poverty traps for low paid workers who experience a small rise in their earnings (given increased liability to higher taxation and insurance contributions, together with loss of entitlement to income-related benefits), loss of earnings for middle-income earners and increased insecurity and complexities when the labour market is becoming more deregulated and is generating employment income that is insecure and unpredictable. In this regards, AD supports' Malta's universal health-care and educational systems, and we support Government's re-introduction of universal entitlement to Children's' Allowance.

27. Not all forms of welfare need necessarily be carried out through cash benefits, even though this is a vital form of assistance through which people can be compensated for inequalities such as unemployment. Social investment to cover new forms of risk, can also include guidance, investment in human resources and life-long education, family-friendly work practices, and encouragement of initiative.

28. Social Security Benefits should be streamlined as much as possible, thus doing away with bureaucratic labyrinths. This is resulting in unnecessary stress and hardships on vulnerable groups who are in most need of benefits.

29. The long list of persons who have been waiting to receive benefits or refunds (tax, N.I. etc...) for a long time should receive such payments as soon as possible, as this is resulting in unnecessary hardships, on vulnerable groups including elderly persons and low income earners. Government should introduce a compensatory budgetary item, coupled with necessary manpower to administer such payments.

30. Malta's new pension system does not propose to solve problems regarding inequalities amongst pensioners, whereby pensions are based on income received during one's life course. Such a system is rigid and inflexible, resulting in further inequalities for people with non-traditional working patterns such as carers and part-time workers. Women, in particular find it difficult to balance contributory requirements with the competing demands of family life, childbearing and insecure, part-time work. As regards the State pension, AD believes in a universal Citizen's Pension, which, rather than being based on National Insurance contributions, is based on the belief that all citizens make positive contributions to the economy and society through their paid and unpaid work, thus resulting in equal pensions which reflect the true cost of living. Such a pension can

have positive multiplier effects on the economy due to increase spending power for pensioners from lower socio-economic strata.

31. AD agrees with Government's decision to allow pensioners to keep working should they choose to do so. However, this should encourage initiative, rather than stifle it with bureaucratic hurdles. The fact that civil servants of pensionable age who work on a part-time basis are not taxed accordingly, but, rather as if they are full-time workers, is a case in point.

### Public Procurement

32. AD believes that in general the budget needs to be greened to reflect the Government's objective to promote sustainable development. Public procurement should be made mandatorily green, thus reflecting ecological and social standards such as the reduction of waste and pollution and the safeguarding of workers' rights.