

Poverty Watch Report 1/24

January 2024

I – Findings

Throughout the year of 2023 several reports, studies and articles were published by both Maltese and European entities on poverty and living conditions in Malta. The scope of this report is to provide a brief overview of the studies published throughout 2023 with greater detail given to those published between September and December 2023. The studies which will be mentioned in this report have been assigned with a reference number which can be used to refer to a table containing their corresponding descriptions and links to access them in full. This table was included in the appendix to this report.

The main topics covered by these studies and articles will be discussed and are as follows (a) The 2024 Budget, (b) Inflation rates and food costs, (c) Homeownership and living conditions and, (d) Poverty and social exclusion in children.

It needs to be kept in mind that the financial situation of many members of Maltese society has improved, in general. At the same time, this report will focus on the situation of those who live in, or are at the risk of, poverty because these are the persons who are at risk of being left behind.

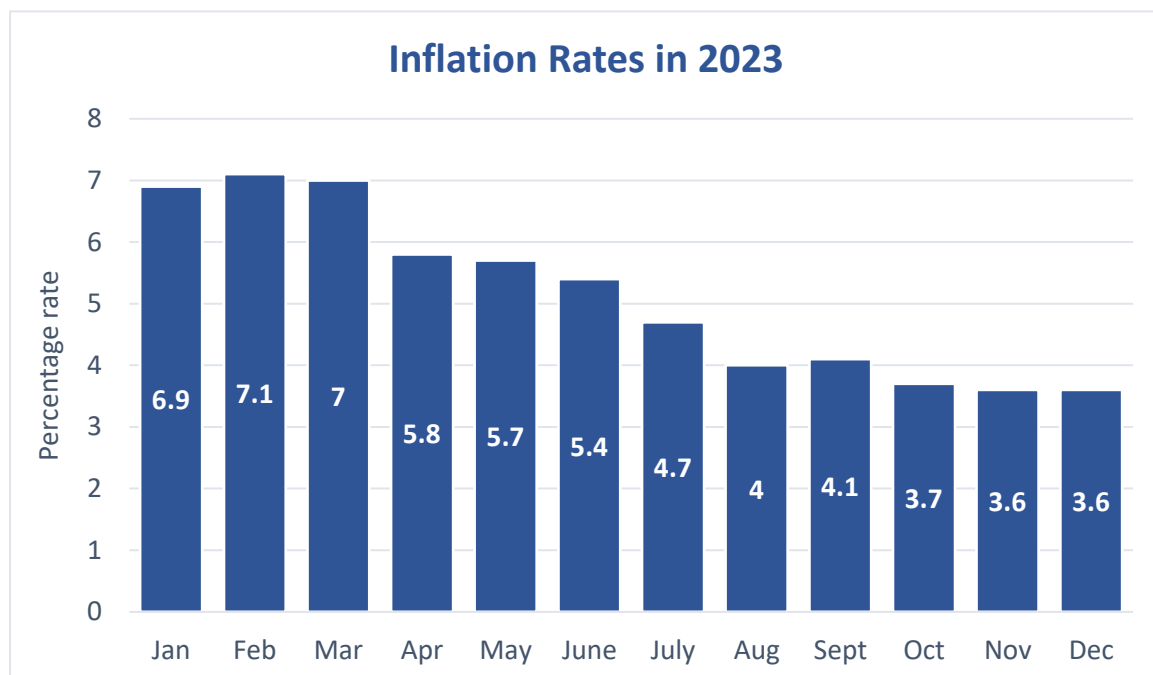
The 2024 Budget

Overall, the 2024 budget includes measures in which different social benefits and allowances have been increased, such as those for the children's allowance, pensions, and unemployment benefits. The budget also includes an increase in the COLA and minimum wage. When it comes to the children's allowance this is set to rise by €250 annually per child. This increase is set to impact 62,000 children in the country. This budget is also set to introduce an annual €500 allowance for parents of 16-year-olds who continue their studies. Pensions are also set to increase by €15 per week or €780 annually. The unemployment benefit has also increased, with the amounts depending on the previous salary and length of the unemployment period. In 2023, Malta, like other EU member states, was set to start working on introducing an adequate statutory minimum wage via an EU directive¹ which was introduced within the same year. Between 2022 and 2023, the minimum wage in Malta increased by 5.4%, from €792 to €835 monthly². Following the 2024 budget the minimum wage is set to increase again from €192.73 to €200.73, an €8 weekly increase. In 2025 and 2026 the minimum wage is set to increase again by €3 per week, and in 2027 it is set to

increase by €4 per week, amounting to €210.73 weekly. With regards to the COLA, this increased from €9.90 to €12.81 per week. Therefore, in 2024, an employee earning the minimum wage, when considering the increase in their wage and the COLA altogether, will receive a €21 weekly increase or a yearly increase of €1,082. This amounts to a 4-weekly minimum wage of €854.16 compared to the €810.52 in 2023. In the budget, it was also announced that subsidies on energy and wheat are set to remain for the year 2024. These were kept to maintain the prices of fuel and energy at stable levels for families and businesses, therefore preventing significant increases in the products they buy as well as their energy bills, in contrast to other countries in the EU, where energy costs doubled. In fact, in December 2023, Malta had the second lowest price for electricity (12.3€ per kWh) when compared to the EU (28.3€/kWh)³. In January 2024, a food price-fixing scheme was also announced by the Economy Minister in which the recommended retail price of several food products is set to be reduced by 15%. This scheme will be introduced in February 2024 and therefore will be discussed in more detail in May's Poverty Watch report.

Inflation rates and food costs

Every month, the NSO publishes statistics on the retail price index, indicating the overall rates of inflation as well as the percentage contribution of several goods and services to such rates. Overall, throughout 2023, the rate of inflation was in a steady decline where it decreased from 6.9% in January to 3.6% in December, as can be seen in the chart below⁴.



Between July and December 2023, the highest contributors to the inflation rate were food, housing and other goods and services such as jewellery, watches, insurances, financial and domestic services, and non-durable household goods. The lowest contributors were clothing, footwear, communication and transport, with the latter being low due to the subsidies on energy and fuel and the free public transportation service. The table⁵ below indicates the percentage contributions of different categories of goods and services on the overall inflation rate. For each month, the percentages highlighted in blue were the highest contributors, while those highlighted in grey indicate the lowest ones.

	July	August	September	October	November	December
Total Inflation	4.7%	4%	4.1%	3.7%	3.6%	3.6%
Food	1.90 pp	2.00 pp	1.89 pp	1.47 pp	1.62 pp	1.86 pp
Housing	0.70 pp	0.69 pp	0.64 pp	0.46 pp	0.45 pp	0.40 pp
Other goods and services	0.55 pp	0.53 pp	0.48 pp	0.50 pp	0.49 pp	0.48 pp
Clothing/Footwear	-0.14 pp	-0.07 pp	0.07 pp	-0.09 pp	-0.05 pp	-0.07 pp
Transport and Communication	0.04 pp	-0.59 pp	-0.45 pp	0.03 pp	-0.07 pp	-0.30 pp

As can be seen in the table, between July and December 2023, food has been the highest contributor in pushing inflation rates up. A study by CARITAS⁶ estimated that between 2022 and 2023, the costs of food increased between 2.96% and 3.12%, depending on the household type, with the largest percentage increase impacting the elderly. The study also estimated the following monthly costs of food in 2023:

- €719.50 for two adults and two children
- €542.49 for a single parent with two children
- €362.28 for an elderly couple

The CARITAS study also reported that between 2022 and 2023, medicine costs for families also increased with percentage increases varying depending on household composition. Medicine costs increased between 6.29% and 14.07%, with the largest percentage increase impacting single parent households.

Additionally, the NSO⁷ also reported that the percentage of individuals who cannot afford a meal containing meat, fish, or a vegetarian equivalent every second day is of 7.5%, which amounts to around 39,072 individuals. The Eurostat also reported that between 2021 and 2022 the percentage of households in Malta which reported difficulty in making ends meet increased from 11.5% to 15.7%⁸.

Homeownership and Living Conditions

In 2023, the Foundation for Affordable Housing (FAH) published a document¹⁰ to provide a comprehensive understanding of the social and economic realities faced by residents in Malta with regards to housing prices and costs. This document highlights how in 2022, individuals aged between 20 and 25 years who earned €20,000 or more annually were eligible for a loan on an average-priced house of €225,000. However, by early 2023, these same individuals had to earn €25,000 or more to obtain a loan on the same property due to the rapid price increases. Over time, should home loan interest rates increase in line with international markets, a €30,000 annual income would be required to be eligible for such loans.

Apart from first-time buyers, renters and those who are separated/divorced are also finding it more difficult to purchase housing. For example, an individual between 35 and 45 years would require an annual income of €35,000 to be eligible for a home loan on an average-priced house. Similarly, in 2022, an individual of 40 years of age could have been eligible if they earned €30,000 or more annually. Therefore, this issue is not only pertinent to young, first-time buyers, but also to those who are older, separated, divorced, or wish to transition from rental housing to homeownership. This rapid increase in prices was also highlighted by the Eurostat¹¹ which notes that from 2015, housing prices in Malta increased by 29% in 2020 and 44% in 2022. When considering that, as of the second quarter of 2023, the average annual salary of a worker in Malta is of €21,972¹² it is indicative that these difficulties are not only impacting the low earners, but even those who are in the middle class.

In 2021, it was recorded that a total of 106,214 workers in Malta earned €20,000 or less, annually. Of these, 77,082 are Maltese and 29,132 are non-Maltese.

These make up around 19% of the total population.

SOURCE:

Maltese Parliament – (2023) – Salary statistics on Maltese and foreign workers:

<https://pq.gov.mt/PQWeb.nsf/0/C1257D2E0046DFA1C125894E004573A1?OpenDocument>

<https://pq.gov.mt/PQWeb.nsf/0/C1257D2E0046DFA1C125894E004588E7?OpenDocument>

The report by the FAH also looked at cheaper housing units, such as one-bedroom apartments. Based on advertisement listings, one-bedroom apartments usually cost around €165,000 and €185,000. In the case of the cheaper apartment, a 30-year-old individual would typically need to earn €23,037 annually to be eligible for a home loan, which is still above the average income.

The report also focused on the housing cost-to-income ratio, which indicates the costs of housing, including mortgage/rental payments, insurances, maintenance and repair costs and the cost of utilities, in proportion to the household income. A high ratio normally indicates that housing costs are higher in proportion to one's income. In Malta, the average housing cost-to-income ratio is of 10%, which is below the accepted affordability threshold of 30-40% set by the EU. However, this low average results from the fact that 58% of households own a home without loan payments and 11% of households are renting below market prices. In fact, for homeowners who are paying off their loan, this ratio is a bit higher (15%) although still within the accepted threshold. However, this 30% threshold of affordability is exceeded for one-third of those who are renting at market price. This is especially the case for those who are younger than 35, non-Maltese residents, and/or earn less than €12,000 annually, which is just above the minimum wage of €10,249 annually. In 2022, more than 13,000 households in Malta had housing costs which exceeded 30% of their disposable income. These costs are four times higher when compared to those in 2018.

In relation to this, the Eurostat also released statistics related to housing conditions and the quality of housing. For the year 2022, it reported that 2.8% of people in Malta (approx. 15,177 individuals) live in an overcrowded dwelling¹³. Among those who are at-risk of poverty (ARP) this rate increased to 3.9% (approx. 3,346 individuals), while for those who are not ARP this rate decreases to 2.6% (approx. 11,862 individuals). It also reported that 7.6% of households in Malta are unable to keep their house warm¹⁴. For those which are ARP, this rate increases to 14.1% and for those which are not ARP the percentage decreases to 6.2%. The Eurostat¹⁵ also reported that in 2020, 6.1% of

people living in Malta (approx. 33,065 individuals) lived in a dwelling which either had a leaking roof; damp walls, floor, or foundation; or rot in the window frames or floor. For those who are ARP this percentage increased to 7.7% (approx. 6,606 individuals) while for those who are not ARP, this percentage was lower, 5.8% (approx. 26,462 individuals). According to the NSO census, in 2021, there were 2,419 main dwellings in Malta which were described as needing significant repairs or being in a dilapidated condition.

Emily and John live in a three-bedroom apartment with their two children. They bought the apartment a few years back and are currently paying off their home loan, costing them €870 monthly. Apart from their mortgage payment, their monthly expenses on food and medicines rounded up to around €800. When including other expenses, their total monthly spending amounts to around €1,750.

With both working full-time, they made around €2,800 per month and were living relatively comfortably, with enough money for savings at the end of each month.

However, recently, John was involved in a car accident which left him with a disability and unable to work.. While disability benefits helped to provide them a form of income by receiving €500 monthly their total monthly income was still reduced by €1,000. Therefore, in some months, the couple had to rely on their savings to make ends meet as Emily's salary is not enough to cover their monthly expenses. Additionally, the need to care for her husband and children makes it difficult for her to increase her work hours and income.

In Malta, the YMCA¹⁶ also published a report on referrals which the organisation had between the years 2012 and 2022. While the scope of the report was not to cover the issue of homelessness of the country overall, it can provide a partial snapshot of the current difficulties and characteristics surrounding this issue. The YMCA reported that in 2022, the most common issues cited for homelessness in their cases were financial problems, family issues, immigration, and domestic violence. The number of cases caused by immigration and renting problems between 2019 and 2022 also increased. However, the report also notes that the causes of homelessness are multifaceted and therefore individual cases are usually caused by a multitude of factors rather than

just one. Between 2018 and 2022 the percentage of referrals to YMCA's services which were Maltese was of 49.6%, while the percentage of non-Maltese was 50.4% of these. The most common referrals between 2018 and 2022 were for individuals aged between 18 and 44 years. The Foundation for Social Welfare Services (FSWS) released a similar report highlighting the most common issues which characterised their open cases in 2021. It reported that, for Maltese cases, the primary issues which were reported were financial difficulties (with 163 cases), housing problems (89 cases) and family relations (82 cases). With regards to homelessness among Maltese nationals, as of 2021, the FSWS had 69 cases. For non-Maltese, the most common primary issues cited in their cases were homelessness (with 248 cases), financial difficulties (73 cases) and employment issues (32 cases).

Poverty and Social Exclusion in Children

According to a study by Eurostat¹⁷, in 2022, 24.7% of children (under 18 years) in the EU are at risk of poverty and social exclusion (AROPE). In Malta, this rate is below that of the EU average with 23.1% of children (approx. 19,000 individuals under 18 years) being AROPE. The Eurostat also reported that in Malta, 9.2% of individuals under 18 years (or 7,606 individuals) are materially and socially deprived¹⁸ (MSD) while 6.5% of individuals under 18 years of age (or approximately 5,000 individuals) are severely materially and socially deprived¹⁹ (SMDS)ⁱ.

During the summer months, the Eurostat also compiled statistics on children's health, specifically unmet medical care²⁰. 1.5% of children (or 1,112 children) below 16 years of age in Malta have unmet medical needs. For children living with two or more adults, this percentage decreases slightly to 1.3%, while for children living with one adult this percentage increases to 3.1%. In their report, the Eurostat also presented statistics on unmet needs for dental care. In Malta, 3.1% of children (which amounts to approx. 2,299 children) do not have proper dental care. This percentage increases slightly for children living with two or more adults (3.4%).

A report from the Ministry for Social Policy and Children's Rights²¹ reported that in 2019, 2.3% of children (or around 1,901 children) experienced severe housing deprivation. They also reported that housing cost overburdensⁱⁱ impacted 2.6% of children under 18 years in 2020 and that this percentage increased to 3.4% in 2022²², amounting to 2,811 individuals under 18 years. The

ⁱ Material and social deprivation is measured using a scale of 13 items in which respondents classify how affordable certain items, utilities and luxuries are. Individuals who indicate that they cannot afford 5 out of the 13 items are considered to be materially and socially deprived (MSD), while those who indicate that they cannot afford 7 out of the 13 items are severely materially and socially deprived (SMDS).

ⁱⁱ The housing cost overburden occurs when the total costs of housing exceed 40% of the household's disposable income – [source here](#).

Eurostat also reported that, for those under the age of 18 years in Malta 3.7% (approx. 3,059 individuals) lived in overcrowded dwellings and 4.7% (approx. 3,885 individuals) lived in a dwelling which was damp, had a leaking roof, or had rot.

In their report, the YMCA also reported on the number of referrals they received for children under the age of 18 and how these increased between the years 2018 and 2022. The organisation received 25 referrals in 2018, compared to 82 referrals in 2022. With regards to children under five years of age, these referrals also increased from 6 in 2018 to 40 in 2022. Between these two years, there was a total of 309 referrals for those under 18 years. This indicates that even families with dependent children and teens are facing issues of housing and homelessness.

Maria and Francis are the parents of a 14-year-old son named Clayton. Francis works full-time and earns €15,000 annually. Maria works part-time to care for her son and elderly mother who lives with them.

The services at Clayton's school are of great help for the family, as they provide them with resources and social services, through the annual funds provided to the school and community liaison workers. However, once Clayton finishes secondary school, the family fears that they will lose such support.

Despite doing well academically, Clayton has already decided that once he stops going to school, he will look for a job to help support the family.

Although their desire is to have Clayton continue with his studies, his parents feel that another salary would help with their current financial situation.

In 2023, a national progress report tied to the European Child Guarantee was published by the Ministry for Social Policy and Children's Rights²³. This report lists the existing social benefits and services in the country which aid children who are at risk of poverty and social exclusion and their families. For example, the report mentions the children's allowance, which is expected to increase starting 2024. It also mentions state-funded food distribution which provide food boxes to families in need twice a year. Additionally, it lists services provided in schools such as breakfast clubs, programmes for children with literacy difficulties, career guidance sessions and the provision of €10,000 per year to heads of schools to spend on food and resources for students from disadvantaged backgrounds. Lastly, the report also lists a number of assessments or screenings which are carried out for developmental delays, learning difficulties, vision and scoliosis, as well as the provision of vaccinations.

II – Commentary

The 2024 Budget was described as a social one in which a number of social benefits and allowances as well as wages were increased across the board. The increase of the minimum wage and COLA can be seen as something positive as it helps to increase the purchasing power of those with a lower income. The introduction or increases of allowances and benefits for low-income earners also help to alleviate some of their financial burdens. However, such increases are still insufficient for individuals earning the minimum wage to live a decent life. In fact, a study²⁴ carried out by the General Workers' Union, Alleanza Kontra l-Faqar, and Moviment Graffiti on a national living income indicates that for a single person household an annual income of between €12,226 and €14,864 is required to live a decent life. Additionally, such measures, while positive, fail to address the inequality between the lowest and highest earners and leave a number of individuals and families facing poverty and social exclusion. These measures may also prove counterproductive if introduced without a wider change in the economic system. This is especially the case with regards to the COLA increase as employers do not tend to reduce their profit margins to make up for an increase in salaries, therefore driving up the prices of essentials in response.

The budget also fails to directly address the problem of increased food prices, which poses an especially heavy burden on low-income earners and the vulnerable as seen from the CARITAS study. The increase in COLA may be a solution in part, but it does not reflect the current food prices. While the rate of inflation declines and is hoped to continue doing so, the price of food products is still expected to continue increasing due to different factors. One example being the recent increase in dairy products as reported in the mediaⁱⁱⁱ. Local produce, such as fruits and vegetables are also set to increase due to shortages caused by the Covid-19 pandemic, the war in Ukraine as well as the local climate^{iv}. Additionally, a looming environmental tax set by the EU is expected to increase shipping and import prices, which will ultimately cause a ripple effect, driving up food prices for consumers^v. The upcoming food price-fixing scheme to be introduced in February is set to help reduce the prices of food slightly. Its impact and the extent of such an impact on vulnerable and low-income households is yet to be determined.

The high rate of inflation on food proves worrying and pushes an increased need of food security for families as this will wane with higher pricing, especially for those who are in poverty or at risk of

ⁱⁱⁱ <https://timesofmalta.com/articles/view/price-milk-rises-second-time-year.1072905>

^{iv} <https://www.independent.com.mt/articles/2023-12-03/local-news/Prices-for-local-produce-set-to-continue-increasing-due-to-a-series-of-shortages-6736256869>

^v <https://timesofmalta.com/articles/view/first-shipping-price-hikes-announced-eu-emissions-tax-looms.1068570>

poverty. Church initiatives such as the inauguration of Marta's Kitchen^{vi}, which aims to provide meals for those in need, are commendable and are in great need in our society. However, charities and NGOs are also experiencing difficulties and a lack of support^{vii} as the increase in food prices is creating issues two-fold: through a reduction in donations and an increase in demand for services. Additionally, charities, while providing essential support to those in need, do not provide services to get individuals out of poverty. Therefore, all these difficulties call for a rethinking on the present economic model which currently prioritises profiteering, often being at the detriment of the vulnerable and disadvantaged. Issues of governance also need to be addressed to ensure a fairer distribution and use of public funds as well as the protection of arable land.

This need to revise our economic model also strongly applies to the affordability of housing which is gradually waning even for those who are in the middle class, let alone those who earn a low income. The statistics presented by the Foundation for Affordable Housing show that the average housing unit, costing around €225,000 in 2023 is becoming more unaffordable over time. This quick and continuous rise in housing prices is alarming, especially for young couples who are looking to start a family and those who are separated/divorced. The study from YMCA also shows that the increase in renting prices is also contributing to the issue of homelessness, especially between 2019 and 2022. Similarly, the study by FSWS also sheds light on how cases involving financial, or housing issues are also the most common, both for Maltese and non-Maltese.

It is also important to look at the above issues in relation to how these impact children and youths. The statistics presented above show that children, especially those of single parents, are impacted by the increasing food and housing prices, as their guardians' purchasing power is greatly reduced. The national progress report on the Child Guarantee provides a list of several social services and benefits which aid children who are AROP/E and/or in precarious family situations. These services are usually provided directly from the state or through schools, daycares, and healthcare centres, ensuring that children have better and more direct access to them. While these services are essential, as they help alleviate the challenges which these children face, addressing issues of poverty in families also ensures that children live a better quality of life.

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^{vi} <https://knisja.mt/inawgurata-l-kcina-ta-marta-1200-ikla-bxejn-fil-gimgha-lill-persuni-fil-bzonn/>

^{vii} <https://timesofmalta.com/articles/view/ngo-sees-nearly-40-hike-family-pack-food-prices.1073583>

Appendix

Ref. Number	Date	Issuing Organisation	Topic	Name of Report
1	2022	Official Journal of the EU	Minimum Wage	Directive (EU) 2022/2041 of the European Parliament and of the Council of 19 October 2022 on adequate minimum wages in the European Union
2	2023	Eurofund	Minimum Wage	Minimum wages in 2023: Annual review
3	2023	HEPI and VaasaETT	Energy Prices	Energy Price Index
4	2023	NSO	Retail Price Index (RPI)	Prices
5	2023	NSO	RPI	July RPI, August RPI, September RPI, October RPI, November RPI, December RPI
6	2023	CARITAS	Cost of Living	MINIMEBDL 2023 - Focusing on three low-income household categories
7	2022	NSO	Poverty	EU-SILC 2022: Salient Indicators
8	2022	Eurostat	Living Conditions	Inability to make ends meet - EU-SILC survey
9	2021	NSO	Dwelling Characteristics	NSO Census Volume 2 – Dwelling Characteristics
10	2023	Foundation for Affordable Housing	Housing prices	Housing Affordability in Post-Boom Malta - A case for the third sector
11	2022	Eurostat	Housing prices	House price index (comparison with prices in 2015)
12	2023	NSO	Employment	Labour Force Survey
13	2022	Eurostat	Overcrowding rate	EU-SILC Survey - Overcrowding rate by age, sex and poverty status
14	2022	Eurostat	Living Conditions	EU-SILC Survey - Inability to keep home adequately warm
15	2020	Eurostat	Living Conditions	EU-SILC Survey - Total population living in a dwelling with a leaking roof, damp walls, floors or foundation, or rot in window frames or floor
16	2022	YMCA	Homelessness	Homeless Human Evolution - Retrospective Research 2012-2022
17	2022	Eurostat	Poverty	Persons at risk of poverty or social exclusion by age and sex
18	2022	Eurostat	Poverty	Material and social deprivation rate by age and sex

19	2022	Eurostat	Poverty	Severe material and social deprivation rate by age and sex
20	2021	Eurostat	Poverty in children	Children with unmet needs for medical examination or treatment by income group, household composition and degree of urbanization
21	2022	Ministry for Social Policy and Children's Rights	Children	National Action Plan for a Child Guaranteed
22	2022	Eurostat	Housing prices	EU-SILC - Housing cost overburden rate by age, sex and poverty status
23	2023	Ministry for Social Policy and Children's Rights	Children	Child Guarantee National Progress Report 2023
24	2022	General Workers' Union, Alleanza Kontra l-Faqar, and Moviment Graffiti	Living Income	A Proposal Towards the Definition and Estimates of the National Living Income in Malta 2022