

POVERTY WATCH REPORT

3/2024

SEPTEMBER 2024

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Between the months of May and August 2024, several reports, studies and articles were published by local entitiesⁱ which highlighted the economic situation in Malta with regards to poverty and the cost of living. The topics which featured in these reports will be covered by this Poverty Watch report and are as follows (a) Poverty rates, (b) Household Budgets, and (c) Economic Migrants.

POVERTY RATES

The NSO¹ reported that, in 2023, 16.6% of individuals in Malta, which amounts to 88,462 individuals, were earning less than €11,364 annually, therefore placing them at risk of poverty (ARP). This at-risk-of-poverty threshold (ARPT) of €11,364 is provided by Eurostat, and it is defined as 60% of the median equivalised disposable income of individuals in a household. This equivalised disposable income is calculated by dividing the household's disposable income (spending money) by its size and composition². In 2022 this ARPT amounted to €10,893, therefore it increased by 4.3% in one year. The fact that the ARPT income, used to determine whether someone is ARP or otherwise, is higher than the annual income earned by Maltese minimum wage workers, who typically earn around €10,249 per year, further solidifies the argument that the minimum wage is not adequate to provide a decent livelihood.

When removing social transfers (benefits) and pensions, the ARP rate increases to 17% (90,190 individuals), meaning that social transfers help keep around 1,728 individuals (0.4%) above the ARP line. These statistics show how social benefits and pensions are only aiding a small percentage of individuals to stay above the poverty line. As discussed in May's Poverty Watch, the impact which social transfers have on reducing poverty in Malta is one of the lowest in the EU, at 25.56% in 2023³. Therefore, these sources may indicate that social transfers, benefits and pensions are inadequate to help families face financial strains. This inadequacy calls for a revision or an introduction of new social benefits, allowances and pensions to adapt them to the current realities and difficulties which people in poverty are experiencing. This can be done not only in terms of the amounts provided, but also in terms of accessibility and eligibility criteria. Although these social transfers need to be updated and adapted to today's realities, they will also have to continue growing indefinitely, due to the continuous increase in prices. However, focusing on benefits alone will create a larger dependency on the State, which is not an ideal situation. Introducing a national living wage which takes into consideration the realities and needs of individuals and families and the increases in the cost of living is also needed. Lastly, a change in the economic system to one which taxes the wealthy and redistributes their wealth

ⁱ References are included in the Appendix Table.

to those who are in need can also help to reduce the growing inequality between the rich and the poor and to ensure a good quality of life for all the members in our society.

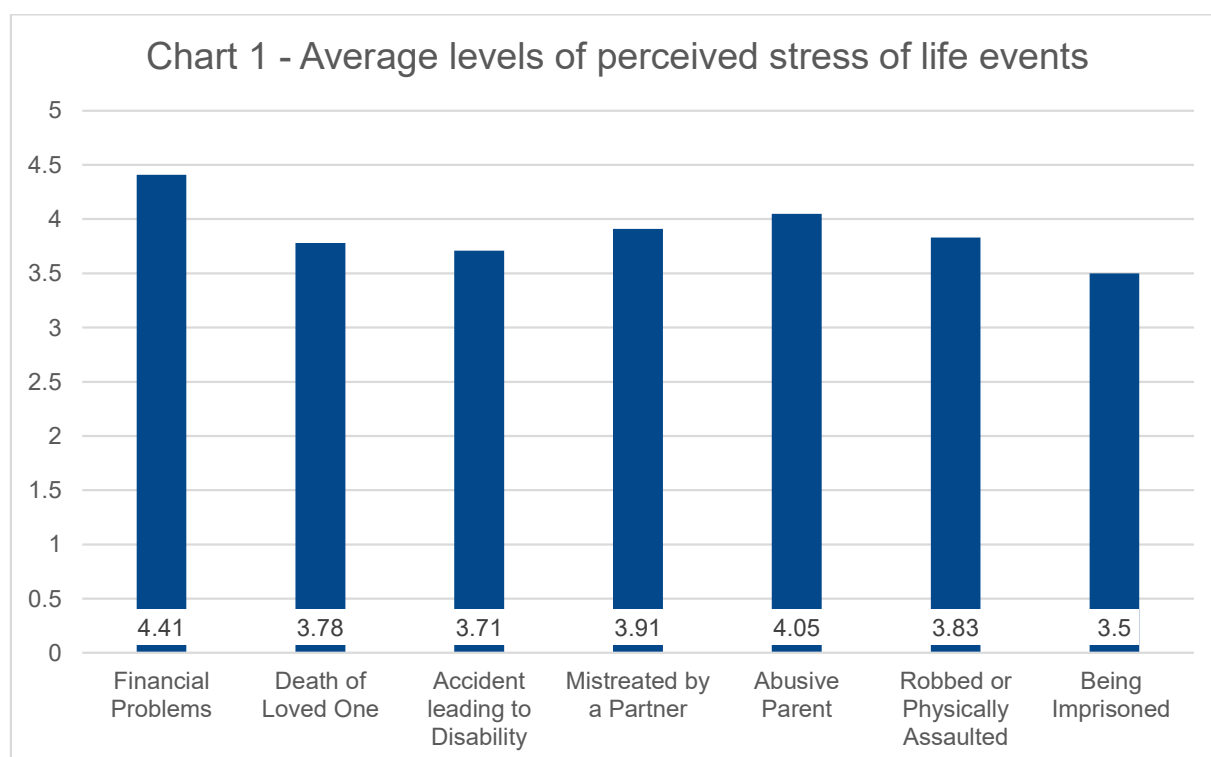
The NSO⁴ also reported on the rates of material deprivation in 2023, where 9.2% of the population in Malta (49,868 individuals) was found to be materially and socially deprived (MSD) and 4.1% of the population (22,224 individuals) was found to be severely materially and socially deprived (SMSD). These percentages have decreased since 2022 where 9.6% were MSD and 4.9% were SMSD. As in previous reports, the NSO also reported on the percentages of individuals who cannot afford specific items or expenses. These are listed below in Table 1.

Table 1: Share of persons in the Maltese population who cannot afford material and social deprivation items.		
Percentage	Number of individuals	Material and Social Deprivation item
15.9%	86,186 individuals	An unexpected expense of €770 or over
9.4%	50,952 individuals	A meal with meat, chicken, fish or a vegetarian equivalent every second day
6.8%	36,859 individuals	Keeping their home adequately warm in winter
6.7%	36,317 individuals	Getting together with friends and family for a drink/meal at least once a month
5.7%	30,896 individuals	Replacing worn-out clothes with new ones
5.6%	30,354 individuals	Two pairs of properly fitting shoes

Statistics presented by the Ministry of Finance and Employment show that in 2022 there were 2,372 full-time workers who were paid the minimum wage in Malta and that there were 47,412 individuals who earned a monthly salary of €1,000 or lower (€12,000 annually or less)⁵. This amount includes workers who have full-time, full-time reduced and part-time working arrangements. Additionally, statistics presented by the same Ministry also indicate that there are 60,492 full-time workers who are not paying income tax, putting them in the category of low-wage earners, despite them earning more than the minimum wage. When taking into consideration the different tax rates for single, married and parent workers, this indicates that these employees are earning a maximum of €12,700 yearly (based

on the marriage rate)⁶. For singles, these employees are earning a maximum of €9,100 yearly and for parents they are earning a maximum of €10,500 yearly. While the number of minimum wage workers appears to be lower in the first Ministry statistics presented above, the number of full-time low-wage earners remains high, as apparent in the statistics on tax rates. Additionally, there could also be a number of workers who are working, but are not registered, especially when it comes to third country national (TCN) workers. In fact, between 2021 and 2023 a total of 4,201 employers were found to employ TCNs irregularly⁷.

The Faculty of Social Wellbeing at the University of Malta (UOM)⁸, in the study on stressful life events and how they are perceived by the Maltese population they carried out, found that financial problems were, on average, the most stressful life event, even when compared to other grave issues or events such as the death of a loved one, going through an accident leading to a disability, being imprisoned or experiencing abuse (See Chart 1). The study was carried out with 434 individuals over the age of 18 who were asked about which stressful life events they experienced, how stressful they were and whether they impacted them physically, socially and psychologically.



As can be seen in the chart, financial problems were given a score of 4.41 out of 5 in terms of perceived stress levels as 67.6% of those who went through these issues ranked the experience as highly stressful, rating it as 5. A percentage of the respondents also indicated that financial problems caused strong physical (31%), social (45.1%) and psychological (49.3%) problems in their current life.

This study shows how financial problems can put pressure on an individual, not only due to how stressful these can be in and of themselves, but also because of the physical, psychological and social repercussions which may arise from them. These repercussions may, in turn, further exacerbate the financial issues faced as they can impact one's employment or employability and strain relationships and one's support system. Therefore, when looking at the issue of poverty, it is important to view it as a whole and not simply as a financial problem, as it may impact or become impacted by other aspects of a person's life.

HOUSEHOLD BUDGETS

In August, Caritas published an updated report on the minimum essential budget needed for three different household types⁹. This essential budget, similar to those in previous reports, is calculated on a basic basket of goods which includes items such as food, clothing, personal care, health, household goods and maintenance, education, culture and social needs, transport and subsidised housing. The report also included an augmented basket which includes eating out or ordering in, costs of a private car, unsubsidised housing and caring for a pet. The yearly costs of these different baskets are included in Table 2 below.

Table 2 – A comparison between the yearly cost of a basic and augmented basket of goods.		
Household Type	Basic Basket	Augmented Basket
2 Adults and 2 children	€19,153.00	€33,176.50
1 Adult and 2 children	€17,012.83	€30,724.33
2 Elderly people	€14,731.79	€26,556.29

The report notes that the significant increase in the costs between the basic and augmented baskets is primarily due to the increase in prices in unsubsidised housing, which can add up to a yearly cost of between €9,000 and €10,800 for these households.

The report also details the monthly costs of basic needs such as food and healthcare costs. In Table 3 below, one can note the overall increase in the monthly prices for both food and medicine, the amount varying depending on the household type. Food took up the largest proportion of costs for these households, ranging from 30% to 56%. The largest food price increase can be observed for families with two adults and two children, where a monthly increase of €227.75 or a yearly increase of €2,733 occurred in four years. The largest price increase for medicine and healthcare can be noted for a household with an elderly couple, where a monthly increase of €51.12 or a yearly increase of €613.44 occurred in four years.

Table 3 – A comparison of food and medicine monthly costs for three household types between 2020 and 2024

	Household Type	2020	2022	2023	2024
Food*	2 Adults and 2 children	€593.45	€698.80	€719.50	€821.20
	1 Adult and 2 children	€430.65	€526.28	€542.49	€611.44
	2 Elderly people	€281.24	€351.32	€362.28	€345.28
Medicine and Healthcare**	2 Adults and 2 children	€30.59	€29.60	€32.37	€38.61
	1 Adult and 2 children	€21.08	€18.00	€20.48	€30.20
	2 Elderly people	€49.39	€46.90	€49.84	€100.51

*Food costs in 2024 took into account the food-price fixing initiative (*Stabbiltà*) and the State Funded Food Distribution scheme (SFFD), through which foodstuffs are distributed to a number of eligible households with low income.

**The Medicine and Healthcare category in 2024 also includes vitamin D, multi-vitamin and bone-density supplements, which were not included in the baskets of previous years.

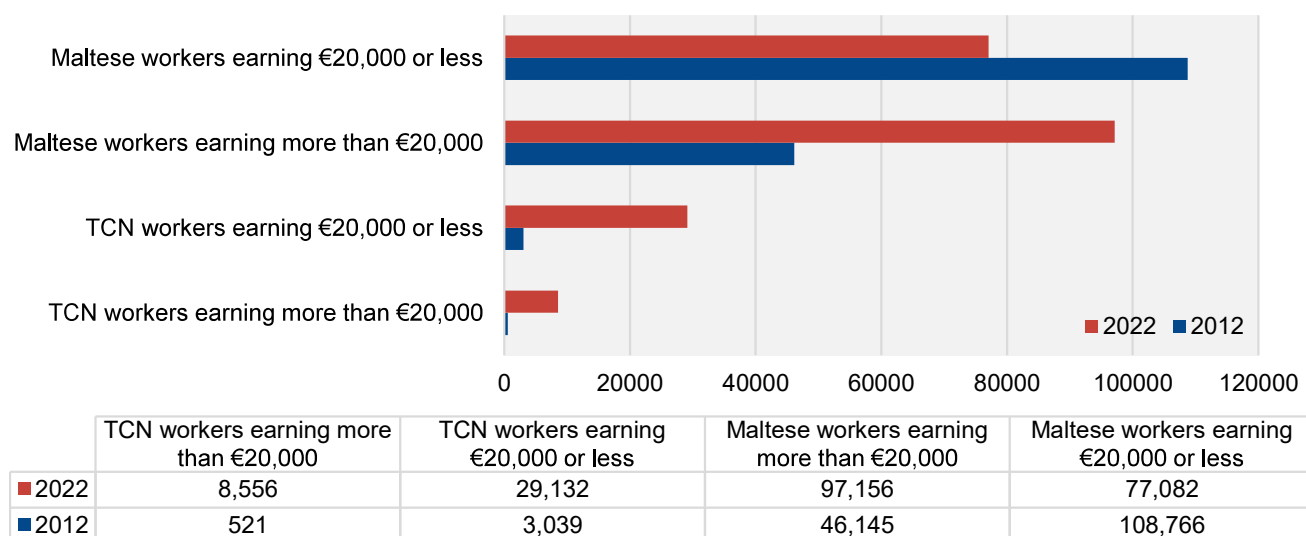
This study by Caritas reflects how, despite the decreased inflation rates and the government schemes introduced to mitigate price increases, families are still experiencing a significant year-on-year increase in the costs of basic items. These continued increases, coupled with wages and pensions which fail to keep up with inflation¹⁰, are placing a large burden on families, especially for those whose members are considered vulnerable in our society, such as children and the elderly.

ECONOMIC MIGRANTS

According to Jobsplus' Annual Report for 2023¹¹, foreign workers in Malta make up around 34% of the local workforce, with the number of TCNs increasing considerably following the Covid-19 pandemic. The report also indicated that most workers in sectors such as construction, accommodation and food services in Malta are foreign-born. The increase in economic migrants coming to Malta has made a large and quick change in the country's social fabric, whereby a large population with diverse cultures was introduced into an already densely populated island. This undoubtedly caused changes in both the economy and the characteristics of the workforce.

*Malta Today*¹² reported on data presented to the House of Representatives which compared the salaries of TCNs and Maltese workers between 2012 and 2022, indicating a shift whereby the Maltese workforce is entering higher paid jobs, with TCNs taking up the lower paid jobs. Between 2012 and 2022, despite the increased number of Maltese workers from 155,000 to 174,000, those earning below €20,000 or less decreased by 29%, while those earning a higher salary increased. More specifically, in 2012, 108,766 Maltese workers earned €20,000 or less compared to 77,082 in 2022. In contrast, the number of Maltese workers earning more than €20,000 in 2012 was of 46,145 compared to 97,156 in 2022. During the same period, the number of TCN workers increased, with a large majority of them earning €20,000 or less in 2022. (See Chart 2).

Chart 2 - Salaries of Maltese and TCN workers



In 2012, before the large influx of TCN workers in Malta, the majority of Maltese workers (about 70%) earned €20,000 or less annually whilst the remaining 30% earned more. In 2022, there was a shift among Maltese workers, whereby around 56% of them now earned over €20,000 and the number of Maltese workers earning €20,000 or less was reduced to about 44%. This shift among Maltese workers could have occurred for several reasons, including the fact that salaries in general have increased over the period. One other reason is the increased number of Maltese people with a tertiary education. Between 2012 and 2022, the percentage of the population with a tertiary education increased from 16.6% to 30.8%¹³, therefore increasing the number of young people who start their career with a more advantageous salary. Additionally, foreigners in Malta tend to be younger (34.9 years) when compared to the Maltese (43.6 years) on average¹⁴. This means that since Maltese employees tend to be older, they tend to have more opportunities for promotions and higher seniority within a company. In 2022, the number of TCN workers earning below or above €20,000 reached the same proportions of the Maltese workers back in 2012, with 77% of TCNs earning €20,000 or less annually and 23% earning more. These differences in salaries are also reflected in statistics presented by the European Commission which indicated that, in Malta, in 2021, the AROPE rate among non-EU nationals is higher (30.4%) when compared to that of the overall population (20.3%)¹⁵

While an increase in salaries for the Maltese workforce should be seen as positive due to the improved income, the other side of the coin which concerns TCNs also needs to be given attention. The elevation of salaries for Maltese workers, as they move on to better paying jobs, left a gap for less valued work, which is currently being filled by TCNs. This created both a financial disparity between

the two types of workers, as well as one characterised by nationality, which might further feed into stereotyping and discriminatory beliefs. Additionally, TCN workers are more susceptible to exploitation by their employers. Unlike most Maltese workers, these workers are usually less knowledgeable about their basic rights as employees and are more dependent on their employers, as their right to live in Malta is dependent on their employment status. Efforts to increase the dignity and the value of roles and jobs which are considered to be “unskilled”, despite their importance and high demand, need to be considered, as all workers, despite their role and position, deserve a decent income for a decent life.

In July, the Times of Malta reported that around 345 TCNs who work as digital platform couriers carried out a protest due to a reduction of delivery payment rates on weekends, when the demand for their services is high. The newspaper also reported that these workers described abusive working conditions where they were paid less than the minimum wage and were denied their rights as workers, such as those for sick leave, vacation leave and overtime pay¹⁶. This is despite the current Wage Order Regulations¹⁷ which ensure these rights for every worker. This protest helped bring to light the difficulties and the exploitation experienced by TCN workers and, shortly after it took place, the newspapers¹⁸ reported that fleet companies which were accused of such exploitation were banned from hiring more workers until investigations were carried out. Therefore, many TCNs from abroad or those in Malta who wanted to switch to these employers had their work permits rejected. These refusals were also extended to those applying as taxi drivers. Additionally, Prime Minister Robert Abela said that work permits for taxi drivers and food couriers were being refused due to a saturation of the market and that permits will only be issued where workers are needed.

Unfortunately, the system through which TCNs are brought to Malta and subsequently employed has also been proven to be riddled with exploitation, where the financial situations and aspirations of young, foreign workers who seek to improve their lives and that of their families are taken advantage of. Numerous newspaper articles¹⁸ reported on how recruitment agencies charge TCNs exorbitant fees (between €1,500 and €5,000) to apply for an employment permit for typically low-paying jobs, when **Identità** (formerly known as *Identity Malta*) only charges €280.50ⁱⁱ per permit. These agencies usually promise prospective workers that they will speed up the long and bureaucratic process involved in obtaining a permit. Last year, it was also reported that a number of recruitment agencies scammed prospective foreign workers by promising them well-paying jobs in Malta. These agencies charged them large fees and provided forged documents for jobs in Malta which paid low wages or did not exist.

ⁱⁱ This fee increased to €300 this year.

“Our pay is too low now. They reduced the bonus time on Friday, Saturday and Sunday... So, we were all waiting for the weekends to earn more money but now they reduced them. We are struggling. Some people are working 15 hours every day. [Our pay] depends on orders, it's not hourly... We are not sending money to our homes, so what is the benefit of staying here?... We are paying half to the fleet, then petrol, then monthly accommodation, food. Everything is on us... We get no sick leave, no vacation.”



“There's no implementation for them (regulations). They changed only on paper. There is no implementation. They were telling us that you will be paid per hour. I risk my life for €2. The companies are earning, the fleet partners are earning, and the couriers are doing the tough work. We are the only ones suffering.”

“We make 600, 700 euro maximum (monthly). We are not saving anything. We are getting the money, and we are only spending it here (in Malta). We are not sending anything [back home] the past three, four months. We live in a three-bedroom apartment. Six people live there, and everybody is paying €225 each. We are paying for food and petrol. We are the ones who pay for the telephone bill. So, we cannot save anything... We earn roughly €3 [per hour].”

The above are excerpts from footage featured in the *Times of Malta*ⁱⁱⁱ

ⁱⁱⁱ <https://timesofmalta.com/article/watch-we-struggling-food-couriers-strike-say-earn-3-per-hour.1095039>

On the 1st of January 2025, the government is expected to implement a change in legislation and regulations relating to the pay and working conditions of temporary agency workers¹⁹, who are mostly TCNs. This amendment in the regulations will be carried out to reduce inequalities between employees who carry out the same work but who have different working conditions and benefits due to being hired by different companies. This regulation states that the working conditions and rate of remuneration or collective agreements between hiring companies and the temp agency are to be compared with the most favourable one being offered to the worker. However, legal and social changes are not impactful if enforcement and efforts to protect workers, especially TCNs, from exploitation are not implemented. This is especially the case for work sectors which are importing and employing a large number of TCNs and immigrants, such as construction, catering and accommodation. Additionally, local worker's unions are encouraged to approach, educate and unite these foreign workers so that they are more knowledgeable about their rights, feel more supported and are better equipped to report illegalities and negotiate for better working conditions. In 2023, the General Workers' Union (GWU) brought forward the proposal for a mandatory trade union membership to help curb precarious employment, especially in sectors where unionisation is quite low, such as in construction and tourism²⁰. This article indicated that sectors in which the majority of workers are foreign are in need for organisations and unions which fight for their rights as workers. Efforts to improve working conditions and curb illegalities in the employment sector will not only improve the quality of life of these workers, but it will also help to close the gap between low and high earners for many workers in Malta.

The continuous increases in prices of basic necessities makes it harder for thousands of people in our country to live a decent and comfortable life, both for those who live here and for those who come from abroad to support themselves and their families. Efforts from the State, the Church and the community are needed to support and improve the lives of those who are in need. In one of his homilies²¹, Pope Francis describes the poor as being at the centre of the Gospel and encourages us to overcome any indifferences to their suffering and to combat poverty in all its forms.

Alessia Camilleri

Research Officer

September 2024

APPENDIX

Ref. No.	Date	Issuing Organisation	Topic	Name of Report
1	2023	NSO	Poverty Rates	EU-SILC 2023: Salient Indicators
2	2021	Eurostat	Measures	Glossary: Equivalised disposable income
3	2023	Eurostat	Social Transfers	Impact of social transfers on poverty reduction
4	2022/2023	NSO	Poverty Rates	EU-SILC 2022: Estimates of Material Deprivation and Housing Problems EU-SILC 2023: Estimates of Material Deprivation and Housing Problems
5	2022	Ministry of Finance and Employment	Wages	Faddiema li qed jaqilgħu l-paga minima Faddiema li jaqilgħu sa €1,000 fix-xahar
6	2024	Office of the Commissioner for Revenue	Income Tax Rates	Tax Rates 2024
7	2024	Ministry for Home Affairs, Security and Employment	TCN Workers	Persuni li ngabdu jhaddmu immigranti minn pajjizi terzi irregolarment
8	2024	University of Malta, Faculty for Social Wellbeing	Mental Wellbeing	Stressful life events and perceived repercussions amongst the Maltese Population

9	2020 - 2024	Caritas	Cost of Living	2020 MEBDL 2022 Mini MEBDL 2023 Mini MEBDL 2024 MEBDL
10	2024	KPMG	Economy	Malta Economic Outlook
11	2023	Jobsplus	Employment	Jobsplus Annual Report
12	2023	Malta Today	TCN Workers	Foreigners are new working class doing low-paid jobs Maltese no longer want
13	2023	Eurostat	Educational Level	Population by educational attainment level, sex and age
14	2021	NSO	Population	Census of Population 2021 - Volume 1
15	2023	European Commission	Poverty Rates	Country Report Malta 2023
16	2024	Times of Malta	TCN Workers	Food couriers on strike say they earn €3 per hour
17	2011	DIER	TCN Workers	Digital Platform Delivery Wages - Council Wage Regulation Order, 2022

18	2022 - 2024	Times of Malta	TCN Workers	Workers promised application 'fast-track' if they pay thousands India police asked to probe seven agencies over fake Malta jobs Food courier fleet operators barred from hiring more workers TCNs refused work permits as cab, food courier markets saturated
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19	2024	DIER	TCN Workers	Temporary Agency Workers Regulations
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20	2023	Time of Malta	Employment	GWU again insists on mandatory union membership
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21	2016/2017	Pope Francis Homilies	The poor	Pope Francis homilies - Poor
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