



35/1, South Street, Valletta VLT 1100, Malta.  
**Tel:** (+356) 21 237585, 21 222992  
**Fax:** (+356) 21 230227  
**E-mail:** admin@maltaemployers.com  
**Web Site:** <http://www.maltaemployers.com>

4<sup>th</sup> November 2013

Media Release

## **A Budget for Continuity and Stability**

Overall, the budget links with those of previous years and reflects both the resilience of the economy and the limited room for manoeuvrability by the government. There are no major changes from what was going on before, but with the introduction of focused measures aimed towards particular sectors of society and issues. The budget also aims to address concretely the national deficit with projections to take Malta out of the excessive deficit procedure through a reduction of the deficit to 2.1% during 2014.

The budget includes a number of supply side measures aimed at increasing the number of productive hours through a higher participation rate of labour in the economy. These measures, including free child care, subsidised child care in private institutions and further tax incentives to families with children are positive in themselves but will be effective only insofar that they are complemented by efforts to incentivise business activity, which will generate demand for labour and productive employment.

It looks like the budget seeks to strike a balance between the net effect of increased direct taxation vis a vis the increased disposable income arising from the reduced income tax rates, income from part-time employment and the reduction in energy rates.

Government has pledged to reduce business bureaucracy, by establishing the commissioner against bureaucracy, and also through the merging of the VAT and Inland revenue department to streamline tax administration. MEA welcomes the re-introduction of the micro-invest scheme, which, in conjunction with other schemes serve to incentivise small businesses.

The Association welcomes the setting of the employability index to channel human resources in areas with better employment prospects, and also with the incentives announced for apprenticeship placements. The Youth Entrepreneurship Scheme which was launched but not implemented by the previous government is also positive. On the other hand, MEA disagrees in principle with the concept of the temporary retention of part of the social benefits by unemployed persons in addition to their salary earned from the new found job.

The MEA would have liked to see a consideration for the establishment of a minimum rate for government outsourced work, which it has proposed in agreement with the GWU to reduce

employment abuses. However, it considers the Ministers' intention to adopt the idea of a services charter as a step in the right direction in this regard.

The MEA looks forward to the discussion to address the pensions issue, in particular the incentives to promote voluntary third pillar pensions to support the first pillar pensions.

It is hoped that, overall these budget measures will also serve to reverse the unemployment situation which, although still among the lowest in the EU, has increased slightly but steadily during 2013, combined with an upsurge in public sector employment. Government should also aim for a consistent growth between all economic sectors. The buoyant performance of the tourism industry and financial services should also be reflected in the manufacturing sector, which has experienced reduced output over the past six months.

In conclusion, this can be considered a positive budget that should keep Malta on the right track of consistent economic expansion at a time when the global economy is also on the path to recovery.