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Media Release

Pension Reform should be approached with Caution – MEA

The Malta Employers' Association urged Government to conduct proper consultation before considering to introduce mandatory second pillar pensions. The Association said that second pillar pensions will result in an additional cost to employers at a critical time when many companies are struggling to recover from the brunt of the recession and the hike in wages and utility tariffs. One also needs to determine the impact of mandatory contributions on employees' purchasing power and the effect on aggregate demand of forced savings. Many countries also have problems with the portability of such pensions between jobs and also in job mobility between countries. The administrative burden of second pillar pensions is particularly problematic to SME's.

The Association also said that a country's culture should also be factored in when considering pension reform. In Malta, there is a high level of home ownership and many prefer to invest in a second property rather than in financial schemes. It would be mistaken to assume that, in the absence of second pillar pensions, the average Maltese person is not providing for his future standard of living, the MEA concluded.