

# The benefits and challenges of EU membership



The economic and social changes entailed by EU membership have had a positive impact on Malta in such areas as gender equality and living standards. But joining the bloc has also posed new challenges through the transition to a market economy and the growing phenomenon of irregular immigration.

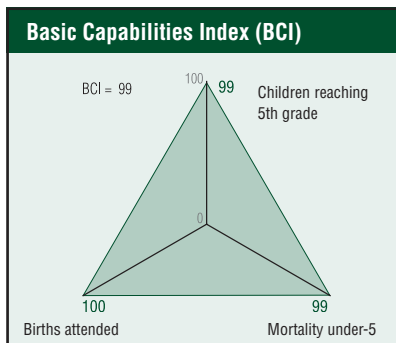
Kopin  
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Malta became a member state of the European Union (EU) on 1 May 2004. The past few years have been marked by a wave of rapid and unprecedented changes in various sectors of society in order to bring the country's laws and policies in line with the *acquis communautaire*, the body of EU legislation which candidate countries must adopt to become members of the bloc. EU membership has brought positive changes, including the adoption of gender equality legislation and improvements in living standards. But membership has also posed new challenges resulting from economic restructuring and the transition from a centralized to a market-driven economy.

## Gender equality

Malta's commitment to the promotion and actual implementation of gender equality has been recognized by reports from both the EU (EU Commission Report COM, 2005) and the United Nations (UN Economic and Social Council, 2004). The National Commission for the Promotion of Equality is working towards reaching the Lisbon Agenda goal of raising the employment rate by increasing the number of women in the workforce. In addition, an ongoing exercise has been undertaken in which all legislation and government policies are monitored in order to make them gender-inclusive and to eliminate all forms of written discrimination.<sup>1</sup> Nevertheless, gender balance remains an area in which Malta continues to lag behind the other EU member states. According to the Eurostat Labour Force Survey for the third quarter of 2005, the male employment rate (the percentage of working-age people who have jobs) in Malta was 77.9% and ranked 13<sup>th</sup> among all European countries, while the female employment rate stood at 37.0% and was the lowest in Europe (Eurostat, 2006). There are ongoing projects co-financed by the European Social Fund to increase the participation and advancement of women in the labour market. Such projects are especially crucial given the fact that women tend to make up a higher proportion of people living in or at risk of poverty in Malta.

1 The EU Directive 2002/73/EC came into force in October 2005.

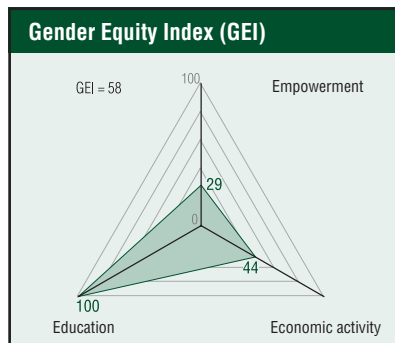


## Unemployment and poverty

The economic and social changes taking place in Malta are creating new demands and new expectations. Although an improvement in living standards has been registered,<sup>2</sup> certain pockets of the population are falling behind. The unemployment rate has been rising, and as a result, unemployment benefits as a percentage of GDP have increased from 0.9% in 2000 to 1.2% in 2005. In 2005, 8.9% of children aged 0-17 were living in jobless households, an increase of one percentage point over 2000. At the same time, the population is aging, due to changes in family size and structure. In 2005, the most prevalent household size in Malta comprised four persons (27.3%), followed by two persons (24.3%), three persons (22.2%) and one person (13.2%) (NSO, 2006c).

Meanwhile, although great strides are being made towards achieving gender equality and eradicating poverty, there is still a section of Maltese society, mainly female, that still faces the risk of poverty. As a consequence of the changing social environment, the proportion of births outside marriage has increased significantly, from 2.2% of all births in 1992 to 19.8% in 2005 (NSO, 2006c). This may put more women and their offspring at risk of poverty. In addition, women who choose the traditional role of staying at home looking after the family and thus do not participate in the formal economy receive a non-contributory pension or widow's pension, which is considerably less than a contribu-

2 In UNDP Human Development Report 2005, Malta ranks number 32 on the Human Development Index (HDI) with a per capita gross domestic product (GDP) of USD 17,633 in 2003.



tory retirement pension, and will mean a lower income for these women later in life. The government has been encouraging citizens to buy private pension schemes to safeguard their standard of living when they reach retirement age, which may increase the gap between the "haves" and the "have-nots" in the future.

The Maltese economy is facing stiff competition in the globalized market economy. The manufacturing sector has experienced difficulties due to lower demand, and several factories have closed down, while others have reduced the number of employees. On the other hand, new jobs are being created in the service industry and pharmaceuticals and information technology (IT) sectors. Redundant workers need re-education and training in new skills to help protect them from remaining jobless. Unemployment registration statistics (NSO, 2005b) show that 50% of the unemployed were found to be at risk of poverty; the average for the EU-15 (the 15 member states of the EU before the 2004 enlargement) is 38%. Moreover, 45% are young people who lack a contributory history or still live at home and so are not entitled to social benefits, and one in five or 20% did not complete secondary education. This category is more likely to be unemployed than those who have completed school, and will tend to remain unemployed for a longer period.

## Public financial administration

Table 1 gives a bird's eye view of the generation and distribution of public finances for 2004-2005. The Maltese Government revenue comes mainly from direct and indirect taxes (86.86%). The economy is undergoing a restructuring process through which government and commercial cor-

porations are being sold to the private sector. This is generating revenue for the government, but it is also reducing the social responsibility towards the common good that government corporations used to provide.

Malta is classified as the second most indebted country in the EU. Eurostat statistics show that Malta comes after Cyprus (72.2%) with a 72% gross debt relative to the gross domestic product (GDP) (Eurostat, 2004). In 2005, the government allocated 8.99% of its budget towards public debt servicing, which compared to expenditure on education (6.65%) reveals a gap of 2.34% or MTL 17.92 million (USD 51.91 million). The resources spent on debt servicing show that the government needs better financial management in controlling and balancing its budget.

### Irregular immigration

Malta has witnessed a considerable increase in irregular immigration. Most of these immigrants are from sub-Saharan African countries, attempting to emigrate towards Europe. Between 2004 and 2005, 3,210 persons were registered as irregular immigrants; the majority had arrived by boat after setting out from North African countries (NSO, 2005c).

The irregular immigration phenomenon in Malta started in 2001 with the arrival of 1,686 asylum seekers (NSO, 2005c). Malta is a densely populated island country, with 1,282 inhabitants per square kilometre (NSO, 2006a). It is at the crossroads of the Mediterranean, making it one of the main routes for the "boat people" leaving North Africa to reach mainland Europe. Upon joining the EU, Malta became part of the Dublin Convention, which states that asylum seekers must remain in the first country where they land. Thus, all "boat people" passing through the Maltese search and rescue area are referred back to Malta. This is seen as a convenient way for larger EU countries to keep immigrants out of their own backyards.

Irregular immigrants are taken to detention centres that are currently accommodating 1,279 detainees. The centres are overcrowded, with the overflow of immigrants living in tents. Detainees are managed by army and police officials, who are responsible for security, accommodation, meeting basic needs, providing access to medical care and day-to-day administration. Soldiers are trained to kill, not to look after people, and are clearly not the right people to be entrusted with this task. In the meantime, most of the Maltese public looks upon the "boat people" as a burden and as such they are unwanted by the local population. This has made irregular immigration in Malta a hot political issue, and has led to the formation of new right-wing parties that are vocally opposed to providing asylum to these individuals.

The Maltese population must learn to be more tolerant towards asylum seekers and to better understand their situation. At the same time, however, the EU must recognize the fact that Malta is by far the member state that is bearing the heaviest burden relative to its size and resources. The EU mem-

**TABLE 1**

<b>Comparative Maltese Government Finance Data 2004-2005 (in USD millions)</b>				
<b>Maltese Government Finance</b>	<b>2004</b> MTL 1 = USD 2.9061*	<b>%</b> <b>Distribution</b>	<b>2005</b> MTL 1 = USD 2.8959*	<b>%</b> <b>Distribution</b>
<b>Total Revenue</b>	<b>2,679,060.94</b>	<b>100.00</b>	<b>2,988,702.01</b>	<b>100.00</b>
<i>consisting of:</i>				
<b>Loans</b>	<b>290,458.88</b>	<b>10.84</b>	<b>318,549.00</b>	<b>10.66</b>
<b>Receipts from sale of shares</b>			<b>63,104.56</b>	<b>2.11</b>
<b>Other Extraordinary Receipts</b>	<b>25,861.38</b>	<b>0.97</b>	<b>11,111.57</b>	<b>0.37</b>
<b>Recurrent Revenue</b>	<b>2,362,737.76</b>	<b>88.19</b>	<b>2,595,936.89</b>	<b>86.86</b>
<i>of which:</i>				
Grants	88,084.00	3.73	193,894.98	7.47
Customs and Excise	181,076.18	7.66	190,173.75	7.33
Consumption Tax	411,417.00	17.41	487,469.74	18.78
Income Tax	613,701.48	25.97	642,194.78	24.74
Social Security	551,162.21	23.33	566,400.39	21.82
Others	517,297.42	21.89	515,803.23	19.87
<b>Total Expenditure</b>	<b>2,714,033.00</b>	<b>100.00</b>	<b>2,854,060.04</b>	<b>100.00</b>
<i>consisting of:</i>				
<b>Recurrent Expenditure</b>	<b>2,129,721.00</b>	<b>78.47</b>	<b>2,218,184.11</b>	<b>77.72</b>
<i>of which:</i>				
Education	145,921.09	6.85	147,453.44	6.65
Social security (benefits)	602,893.69	28.31	639,501.60	28.83
Others	1,380,906.07	64.84	1,431,229.07	64.52
<b>Public Debt Servicing</b>	<b>280,275.91</b>	<b>10.33</b>	<b>256,530.41</b>	<b>8.99</b>
<b>Capital Programme</b>	<b>304,036.00</b>	<b>11.20</b>	<b>379,345.52</b>	<b>13.29</b>
<i>of which:</i>				
Productive Investment	78,569.32	25.84	84,493.67	22.27
Infrastructure	121,164.03	39.85	143,598.99	37.85
Social	104,302.84	34.31	151,252.86	39.87
<b>Gross Government Debt</b>	<b>3,933,127.36</b>	<b>100.00</b>	<b>4,065,226.77</b>	<b>100.00</b>
<i>of which:</i>				
<b>Treasury Bills</b>	<b>713,026.17</b>	<b>18.13</b>	<b>550,866.79</b>	<b>13.55</b>
<b>Government Stock</b>	<b>2,948,808.05</b>	<b>74.97</b>	<b>3,258,851.83</b>	<b>80.16</b>
<b>Foreign Loans Outstanding</b>	<b>199,274.18</b>	<b>5.07</b>	<b>188,922.72</b>	<b>4.65</b>
<b>Other dept assumptions</b>	<b>77,479.53</b>	<b>1.97</b>	<b>72,032.62</b>	<b>1.77</b>
<b>MGSF Investment in Government Debt</b>	<b>-5,460.56</b>	<b>-0.14</b>	<b>-5,441.40</b>	<b>-0.13</b>

Source: Extracted from NSO: Government Finance No. 92/2006, p. 6. \*Annual exchange rate

ber states should show solidarity with Malta and the asylum seekers by accepting them in their own countries and working towards eradicating poverty in the impoverished nations that these people are attempting to emigrate from.

### Official development aid

Malta is a signatory of the Millennium Development Goals (MDGs) and has made a commitment to contribute 0.17% of its gross national income (GNI) as official development aid (ODA) to developing countries. A recent report published by the European Commission (2006) shows Malta to be the highest donor among the 10 new member states, with an ODA contribution of 0.18% of GNI. However, another report released by CONCORD (2006) – a European non-governmental development organization (NGDO) platform of which the Maltese NGDO Platform, coordinated by Kopin, is a member – states that Malta's overseas de-

velopment aid is deceptively doubled by including the spending on refugees in Malta. Genuine ODA is money allocated as development aid to improve the welfare of the poor in poor countries, and not money spent on refugees or foreign students studying in the donor country. In addition, Malta wrote off MTL 2.8 million (USD 6.3 million) in debt owed by Iraq in 2004, and this money was included as part of Maltese ODA for 2003-2005 (Calleja, 2006).

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the Government.<sup>8</sup> The largest share of the district's tax revenue, 47.5%, comes from a combination of petty trading and tolls at the open-air market, both of which are dominated by women. Despite contributing the largest share, traders, both itinerant and fixed-location ones, are seldom the beneficiaries of essential services. Garbage collection and disposal, for example, is undertaken by the traders themselves, not the district assembly. The lack of sanitary facilities like public toilets and a potable water supply also means that the incidence of sanitation-related diseases at the market may be higher than would otherwise be the case. With women dominating market activities, they would be the disproportionate victims of such diseases. In turn, this means that they spend a disproportionate share of their earnings on health services. Indeed, it is interesting to note that pharmacies account for less than one percent of the district's revenue, despite the fact that there are many pharmacies in and around the market that cater to the widespread practice of self-medication among the traders at the market.

While there is no disaggregated data on the gender of taxpayers, given the disproportionately high percentage of women involved in economic activities, especially in the informal sector, and the high incidence of poverty in this sector due to the generally low earnings, it is important that policy makers take appropriate action in the course of revenue mobilization to insulate poor women in particular against the adverse effects of unfair tax incidence. ■

8 Under Ghana's decentralization system, district assemblies constitute the structures through which policies and programmes are formulated and implemented at the local level. Women represent less than 10% of elected members and are therefore largely absent from critical decision-making processes.

The Maltese Government has paid too much attention to the need for consumption-led economic growth and too little attention to issues of equity and the fulfilment of basic human rights. A clear example is the consumption of beauty products. In 2003, the Maltese people spent MTL 5,379,541 (USD 12,427,160) on perfumes and beauty products (NSO, 2005a) while Malta's ODA was MTL 2,167,853 (USD 5,007,740), as reported by the government (Malta Foreign Office, 2006). A key role of government is not simply to reflect public preferences, but to offer leadership in shaping public priorities on important issues such as development aid to poor countries. Malta and Cyprus are now the only EU countries that do not have a development policy, despite the commitment to do so entailed by becoming members of the bloc. The Maltese Government must live up to the promises it made by signing the *acquis communautaire* and the UN Millennium Declaration. ■

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