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Changes in the Development of Social Policy in a Small Island Economy: Malta

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This paper analyses the development of social policies in Malta, with a particular focus on events which have impacted on the country's growth and subsequently on its social security system and policies involving housing, health, education migration and employment. In recent decades, with costs to sustain an ever-growing web of social services becoming more demanding, governments have tried to encourage more self-help and to lessen the heavy dependence on aid structures within the system, pushed at times by recommendations from regional and international institutions. The smaller the economy the more open it is likely to be. Consequently, it is impacted relatively stronger by external events. A heavy reliance on trade, migration and foreign direct investment necessitates balancing the interplay between external and internal activities. These horizontal interdependencies together with the decolonisation process impacted on Malta's development of social policies and its social security system. Vertical interdependencies had a lesser impact on social policy in the early stages but have in recent years influenced its gradual transformation from a welfare state to a welfare society. The analysis shows that Malta's social policies aided its economic development strategy in that different social policies sought to provide an equitable society. However, strains and long-term deficits in public finances later showed up the cracks in the structures, which became overused, abused and too wide encompassing. Malta faces challenges which may impact the sustainability of some policies, such as health, while instigating further government intervention in others, such as social housing. A more holistic perspective of all social policies is called for.

Key Words: island economy, social policy, horizontal interdependency, vertical interdependency, welfare state, welfare society

Introduction

The smaller the economy the more open it is likely to be, and consequently it is impacted relatively stronger by external events. Heavier reliance on trade, migration and foreign direct investment results in a need to balance better the interplay between external and internal activities. These horizontal interdependencies together with the decolonisation process impacted on Malta's development of social policy and its social security system. Vertical interdependencies had a lesser impact on social policy in the early stages but, in recent years have influenced its gradual transformation from a welfare state to a welfare society.

The Maltese islands, as a small archipelago measuring just 316 square kilometres in the middle of the Mediterranean Sea, have witnessed several historical events, been ruled, and colonised, by various peoples, and finally became independent from the British in 1964. The development of social policy in Malta is as old as the Knights of St John, who arrived on the island in 1530, and eventually set up charitable institutions to continue assisting the poor after they left the islands. Pensions were the first regulated set of social policy initiatives in 1885, provided to the Malta police force and later to the Malta civil service. Self-government in 1921 led to the first laws of a basic social security system. In 1948 and 1956, legislation built up the foundations. The 1970s saw

a solid system developing, enveloping various sectors such as social protection, health, education, housing, and employment (Azzopardi 2011).

There are two types of impacts which may encourage or direct the development of social policy within a country. One is termed ‘horizontal interdependencies’ and can refer to cross-national events such as war, trade, foreign direct investment, de-colonisation, migration and the communication extensive network bridging the virtual world. The second refers to ‘vertical interdependencies’ which include mainly the relations between a country and external international entities, (University of Bremen, 2018).

This paper provides a historical perspective of the development of social policies in a small European island, at times beleaguered by external events beyond its control, such as war and migration, and at other times rising above traumatic experiences which eventually strengthened its socio-economic structure. What were the events which led governments in recent decades, to sustain an ever-growing web of social policy commitments becoming more demanding, to encourage more self-help and to lessen the heavy dependence on aid structures within the system? At times the island was pushed by recommendations from regional (particularly since EU membership) and international institutions, but there

were other contributors towards this new perspective, such as the business environment. What changed the welfare policy from one based on need and dependence (Mallia 2016) to one based on ‘making work pay’?

This paper answers the following questions:

in what ways has the interplay between internal and external forces stimulated and influenced the development of social policies in Malta?

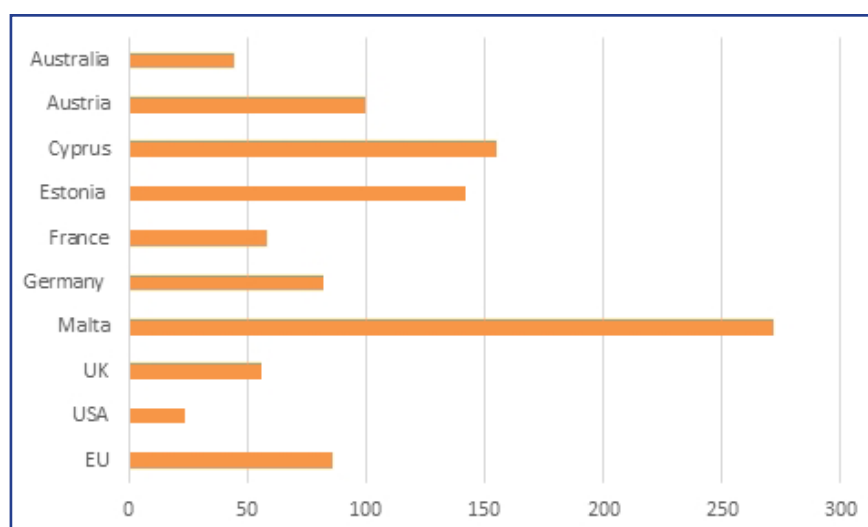
and

What are the challenges that such policies face in a rapidly changing environment?

The methodology is based on desk research and interviews with key stakeholders.

The paper is divided into four sections. The first part provides the characteristics of a small economy and its dependence on the outside world. The second provides a historical presentation of the development of legislation in Malta, setting up the social policy environment from 1885 to 2021. The third section discusses recent changes in governments’ outlook on the role that social policy should occupy in a modern economy. The fourth section outlines the challenges which Malta faces in terms of different aspects of social policy, including health, education, housing, employment, and migration.

Graph 1 - Economic Openness – 2020



Source: Based on World Bank database

Characteristics of a Small Economy

There is a significant amount of literature on small economies, small states, and small islands (Alesina & Spolaore, 2003; Armstrong & Read, 1995, 2002, 2006; Armstrong *et al.*, 1996, 1998; Bertram, 2004; Commonwealth Secretariat, 2000; Dommen & Hein, 1985; Jalan, 1982; Prasad, 2004). There are certain characteristics of a small economy which are exclusive to small size, such as a small internal market, lack of diversification, higher transportation costs, higher dependence on trade and a lack of internal resources. The main issue from an economic perspective is the openness of the economy. The smaller the country, the more open it is likely to be. Due to the small internal economy and the dearth of resources, a small economy needs to engage more with the international economy. It has more economic relations with the outside world, in the form of flow of goods, services, labour and capital. It also tends to be less diversified than a larger state. It thus has more dependence on trade and foreign direct investment and is impacted more by migration, protectionism, flows of financial assets and exchange rate fluctuations. It is too small to affect world prices, incomes, or interest rates: in essence, it is a price taker, which leads the country to solve its issues internally. In relative terms, horizontal interdependencies have a stronger impact on small economies, because of heavier reliance on such relationships.

The degree of openness of an economy can be expressed in ratios, such as exports and imports of goods and services as a percentage of the gross domestic product. It generally benefits a country to be an open one, since it can thus gain from lower prices abroad due to competition, a wider range of products for its citizens, impetus for innovation and economic growth, need for internal restructuring, and access to external resources. However, those benefits come at a price of heavier reliance on external forces and the vicissitudes of the global economy. Graph 1 gives examples of the degree of openness of differently sized countries. It shows that the smaller the country, the higher the degree of economic openness; that is trade as a percentage of GDP.

Small states have limited measures they can adopt when they are impacted by external issues. Granted, there is

no country which is immune to unexpected external economic shocks, and such shocks, to different extents, cause fluctuations in employment, output, and national income. Recent evidence of this are the 2008 global financial crisis and the 2020 pandemic. However, the impact can be worse for countries where a larger share of their economy is linked to the outside world, mainly through trade and financial flows, as shown in the graph above - Malta really stands out in this respect. Central Banks through monetary policy and governments through fiscal policy may be able to allay some of the impacts in the short term, however, governments need to assess the situation in terms of the socio-economic environment on the ground, particularly in the long term. Social policy thus has a key role to play in cushioning the negative effects of fluctuations due to external economic shocks. According to Vital (1967:4), long-term sustainability of a small country depends on the 'capacity ... to withstand stress and its ability to pursue a policy of its own devising'. Over fifty years on, that innate need for internal policies to safeguard against economic shocks remains, even if the world has become more integrated and modern technology has lessened geographical isolation replacing it with virtual connectivity.

As an island state, there are additional issues associated with higher transportation costs and consequently higher unit production costs (Armstrong & Read, 2004; Royle, 2001; Winters & Martins, 2004). The limitations of land size also affect the type of economic activities a country can engage in, so generally there is more reliance on the primary and tertiary sectors. Asymmetric shock impacts are stronger because of the non-diversification of the economy, and thus the increased dependence on social policy to act as a shock absorber.

Early small states literature focused on their vulnerability and lack of capacity, but later work has shifted to opportunities rather than challenges (Thorhallsson, 2018). Some authors maintain that small states have apparent disadvantages which constrain their economic performance (Kuznets, 1960; Demas, 1965; Streeten, 1993; Briguglio, 1995; Davenport, 2001). Others say that small states do not suffer from their small size (Easterly & Kraay, 1999; Milner & Westaway, 1993), and small states have a higher income per head compared to the regional average (Armstrong & Read 1998). There are

some authors who quote the advantages of being small, such as social cohesion, flexibility, the very openness of the economy and the marketing image associated with tourism (Blazic-Metzen & Hughes, 1982; Baldacchino, 2000; Armstrong & Read, 1995). Several small states can be considered as success stories, having devised ways to become resilient, flexible, and adaptive when crises struck. In the case of Malta, social policy has acted as a significant buffer during times of economic stress and has helped to advance its economic and social development.

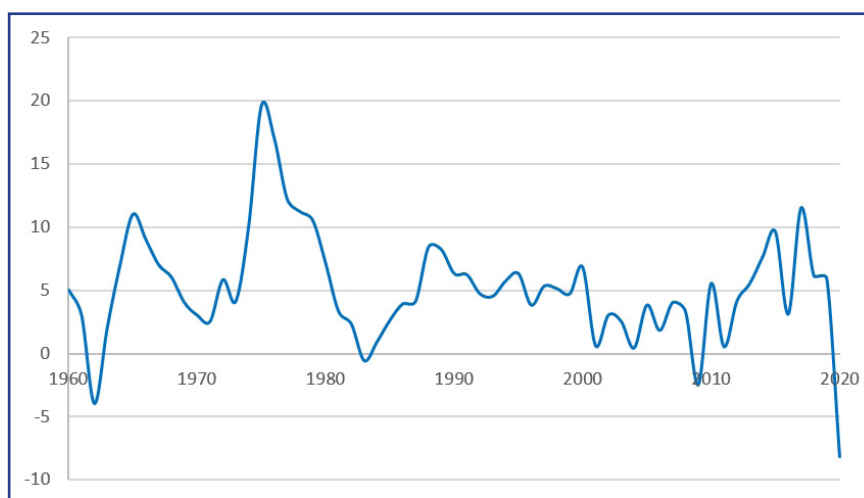
Historical Development of Social Protection and Social Services in Malta

Malta became independent from the British Empire in 1964, and therefore it is relatively young as a nation state. Its level of development and income is considered high and in 2004 it became a member of the European Union, adopting the euro in 2008. Its relationship with the European Economic Community dates to the association agreement signed in 1970. Graph 2 provides real economic growth rates for Malta, from 1960 to 2020. This shows that external events have impacted on the growth potential of the island. The graph shows that the uncertainty that came with independence in 1964, led to a sudden dip in growth. However, after independence, in the late 1960s the islands witnessed basic infrastructural projects (such as roads, water, electricity, and sewage to underdeveloped areas) in the hope that Malta could

industrialise, this meant that capital was invested in the economy. This led to high levels of economic growth, which continued unabated in the 1970s when Malta solidified its manufacturing and tourism sectors. Due to oil agreements in place, Malta did not suffer from the fourfold increase in oil prices in the early 1970s. However, the recession of the early 1980s did affect Malta, which suffered negative growth in 1983. It was a similar situation with later recessions when Malta saw low growth rates in the early 21st century and negative growth after the 2008 recession. However, the dips in 2001 and 2003 and the low growth of the early 21st century in general are also connected with the economic upheaval that was needed for EU membership. The latest significant dip came because of the slow-down in the global economy because of the pandemic which hit in 2020.

These dips in growth indicate that external events impact the island significantly. When a recession hits, it affects economic activity which can lead to increased unemployment, less tax revenue, and an increase in requests for social protection. In the first five decades after independence, horizontal interdependencies were the main cause of socio-economic internal events which stimulated the development of social policy. With EU membership it is more likely that both horizontal and vertical interdependencies will continue to frame decisions regarding social policy.

Graph 2 – Malta's Real Economic Growth Rates, 1960 – 2020



Source: World Bank (1971 to 2020) and Azzopardi (2011) based on national development strategies documents for the period between 1960 to 1970

Over the years Malta has also developed a web of social services as part of its social policy network, providing for free health and education (both irrespective of income) and other services, some of which are means-tested, such as social housing. However, there has been abuse and overuse of the system and this has put a strain on how much the system can continue to accommodate requests. Yet there are meagre studies on the social development of Malta, and it is only in later decades that any existing research was conducted (Abela, 1996, 2003; Sultana & Baldacchino, 1994; Azzopardi, 2011).

Malta's early social policy development is best set against a political context which remains to this day, divided between two main parties. From independence until the mid-1990s one could distinguish between a right-wing conservative party and a left-wing socialist labour party. However, in the past two decades one can say that the ideologies that distinguished them have become not only blurred but at times even overlapping. This is important as it contextualises the development of social policy with the rotation of power between these different ideological perspectives. In earlier times the Catholic Church was also a power in the political sphere and although that power has now diminished, its continued role in terms of offering social services through employees and volunteers cannot be ignored. The Church and other NGOs in civil society offer services in the social sphere, which had mainly been the government's domain up to some decades ago. However, they stepped in when the services offered by government were no longer adequate or sufficient to cater for demand and these spheres include treating drug abuse, homelessness, and working with the disabled and other vulnerable groups in society.

As stated earlier, the beginning of the social security system owes its origins to the Knights of St John. They provided help to the poor in society and even set up institutions to continue this work in the mid-seventeenth century. It was later in 1885 that a pension scheme came into being, with the Malta police force as the first beneficiaries. The scheme was later extended to the Malta civil service. When Malta was given self-government in 1921, the beginning of a social security system could begin. Azzopardi (2011) presents a historical analysis of the development of social policies in Malta.

In January of 1987, the Social Security Act Chapter 318, consolidated previous legislation enacted through the Old Age Pension Act, the National Assistance Act, and the National Insurance Act. A fully-fledged social security system was in place. A Nationalist government came into power during the same year and during its 26 years in power, one can distinguish three new outlooks in terms of social policy.

First, legislative changes were related to loopholes in the social security system, focusing on those who had been left out of the system. The second was the introduction of means-testing to ensure that the system was catering for the most needy and vulnerable in society. The third was for the state to glean the most from what people could offer to the economy, thus there was an increase in the pensionable age and rates of social security contributions. The call from the European Union to increase the retirement age continues to this day (European Communities, 2018). Due to EU directives and regulations, vertical interdependencies are becoming more important.

In 2013 there was a change in government, with the Labour party winning the elections. The party had changed over the years. It had somehow lost its socialist perspective and was not only more liberal but was also less focused on the roots of its power: workers. It became quite controversial in its hobnobbing with the business world and in its lack of focus on its environmental obligations. It seemed to be driven more by capitalism than by any other ideology.

According to the Ministry for Social Solidarity, the reform package entitled 'Making Work Pay', introduced two schemes, the in-work benefit, and the tapering of benefits. These are aimed at encouraging people to take up employment rather than continue to depend on 'hand-outs'. Incentives were also given to people who wanted to continue to live in the community (with the aid of a carer at home), rather than resort to an old people's home. The reform meant that 'the number of social beneficiaries has been almost halved' (Ministry for the Family, Children's Rights and Social Solidarity, 2017). During 2020 and 2021 significant aid was provided by the government to both individuals and businesses to deal with loss of revenue related to the economic downturn because of

Covid 19. The Ministry for Social Justice calculated that during 2021, many would benefit from the measures implemented, many being families and pensioners, while the total expenditure on social benefits and pensions would reach €1.12 billion (Ministry for Social Justice, the Family and Children's Rights, 2021).

However social policy is wider in scope than the redistributive powers of social benefits and protection. It also includes health, employment, housing, and education, and these are discussed in the following section, which shows how the perspective is changing from a country which is considered as a welfare state to one that is turning to civil society for some of its needs, with the country now focusing on the consolidation of a welfare society.

The Challenges to Society and Social Policy

Before EU entry in 2004, Malta had been affected by global events such as the increase in world prices, tariff structures imposed by countries, the price of capital, the vagaries of the global economy, recessions, and depressions. However, after EU membership Malta was also impacted by the EU regulatory framework. The 1993 report of the EU Commission stated that the Maltese economy needed an overhaul, and in the following decade much needed to be done to achieve this (European Communities, 1993). Therefore, there was less time and energy to focus on grand changes to social benefits. The mid-1990s was the beginning of a change in perspective from a welfare state to a welfare society, in part instigated by vertical interdependencies, due to a refocusing of resources.

The focus turned to people needing to care for themselves and for others. The previous heavy reliance on the state had created a 'culture of dependence'; which was no longer sustainable (Azzopardi, 2011; Mallia 2016). However, that culture was difficult to dispel. Suddenly civil society was being asked to replace some of the activities which previously had been delivered by government. The Church also became more important since its social conscience was expected to step in where government was no longer so visible. This could be seen in areas such as homelessness, the disabled, drug addiction, and a variety of support systems for vulnerable

groups. These voluntary organisations mushroomed and became regulated by the Voluntary Organisations Act of 2007. Moreover, the government stepped back even from the economy and opened the market to the private sector. Gearing up to be part of the European internal market demanded a free market ideology (Briguglio, 2010). This created new opportunities even in the socio-economic field, such as an increase in private schools, hospitals, elderly homes, housing, and later, childcare centres.

However, due to the small size of the economy there are several natural monopolies in the economy. Moreover, some government services which were hived off, did not result in good outcomes, such as evidenced in the postal service. Privatisation was not always a success. Government also acknowledged the fact that the social security system was being abused. There were changes in society such as increased number of single parents, divorced, and separated families (Abela, 2016), an influx of immigrants, same-sex marriage legislation: changes in society which needed innovative solutions to new social realities. These new social representations also impacted on health, education, the labour market, and housing.

Health

In the 16th century, the Knights of Malta built hospitals and took care of the poor and needy. It was much later in the 1970s that a publicly funded health system was put into place free of charge for everyone irrespective of income. The services offered continued to grow over the years. Over time this also came with free medicines, their provision based on two criteria: means-testing or due to a chronic illness.

New discoveries in the medical field called for changes to the free medicines' schemes and the introduction of long-term ailments on the government list of chronic illnesses: such as fibromyalgia, Leopard Syndrome and ALS, to mention a few. This meant that more services needed to be provided by public hospitals, which continued to strain the health system. By 2001, government was spending Lm10 million (€23 million), up from Lm1 million (€2.3 million) in 1980, on free medicines alone (Farrugia, 2002). The figure soared to Lm43 million (€100 million) by 2007. Unfortunately, the health system is hindered in its efficiency, particularly because it is based on mini-

gods and their small terrains, creating a workforce which is 'highly territorial, cynical, and showing lack of 'ownership' of the organizational vision and objectives' (Dalmas, 2017). This leads to brain drain, with good doctors being lost and migrating abroad, whilst the system needs to import nursing staff and carers to cope with these new demands on the structure.

Sexual behaviour has also changed, including, sex at younger ages, high rates of unprotected sex, the introduction of gentlemen's clubs/massage parlours in the 1990s, (which remain unregulated to date), immigration, and a more liberal attitude towards sexual behaviour, have all contributed to the upward spike in venereal diseases, severely straining the small GU unit (Genitourinary Unit - set up in 2000) and stretching the resources of the public health department. Recent years have seen sexually transmitted infections increase. With specific reference to cases of syphilis,

The increases continue to be driven by increased cases among men, specifically among men who have sex with men (MSM), likely to be due to both behavioural and testing reasons. The concomitant rises in the trend for other STIs suggest that high-risk behaviour is increasing (Padovese, 2017).

In terms of chlamydia trachomatis infections 'other countries have consistently reported increasing trends since 2007 (e.g., Latvia, Malta, Slovakia, and Slovenia)' (ECDC, 2015:11). For syphilis 'the highest rate was recorded in Malta (9.3 per 100,000 population)' (ibid., p. 25). In 2013 Malta reported the first case of lymphogranuloma venereum (ibid., p. 39). When Covid 19 restrictions started being eased, the GU clinic at the main public hospital noticed an increase of bacterial STIs, mainly gonorrhoea, chlamydia and syphilis (Padovese, head of GU clinic, interviewed by a local newspaper in 2021).

The lifestyle of the Maltese has also changed. The Mediterranean diet gave way to unhealthy eating, fried food, and fast food, leading to an increase in heart disease, again putting pressure on the health system. Latest data show that diseases of the circulatory system were the number one killer in Malta, standing at 33.9% of all deaths during 2018 (Eurostat Database, 2022).

New legislation regarding fertility and IVF procedures further increase the demands on public hospitals. Malta is also facing an ageing population, with 18.8% of the population being 65 and over. This not only means more old age-related medical problems, but also increased demand for other senior citizens issues, such as pensions, day care facilities, and old people's homes (NSO, 2018).

By 2007 even the World Health Organization was concerned about the sustainability of the massive public health system. People tended to resort to secondary services (hospitals) rather than focus on primary health care, including health centres and a healthy lifestyle. With free health services, the public focused less on prevention. There was also a lack of coordination between the public and private sectors. Fifteen years later, the existing structure is bursting at the seams and the sustainability issue has become dire and pressing. As in other parts of the world, the COVID-19 pandemic brought this pressure on hospitals more into focus.

Education

The 1964 Constitution of Malta states that 'primary education shall be compulsory and in State schools shall be free of charge.' At that point in time the compulsory school age was 6-14 and only free at the primary stage. It was later in the 1970s that the compulsory age was changed to 5-16 and also became free for secondary school. Nowadays, education is free for all, practically from kindergarten to the first undergraduate degree. Free childcare is provided as well if parents are working or studying (Government of Malta, 2022). In the scholastic year 2018/2019 free school transport was introduced as well. Free tertiary education in public institutions comes with a small stipend and an allowance to cover books and other related educational expenses.

The education system is under pressure to accommodate the integration of a number of migrants with small children. The birth rate for locals is below the replacement rate and, were it not for migrants, the number of children in schools would have decreased. Many of these migrant children speak their mother tongue or English, but not Maltese. Therefore, local teachers need to speak in English to communicate with these foreigners, which is all well and good, since these children need to have access

to education. But the negative side of all this is that the Maltese children in the same classes have started to speak only in English, with the Maltese language slowly being shown the back door. In certain *nouveau riche* families it is considered as ‘classy’ to speak only in English, even if that English is not very good. This has resulted not only in code-switching (where a speaker alternates between two or more languages in a single conversation) but more problematic is the fact that certain Maltese children cannot speak their mother tongue but can only speak a grammatically bad and stunted version of English with a heavy Maltese accent, sentence structure and intonation. The question is whether this threatens the Maltese language. Even families, traditionally considered as working class, are parading their ‘English-speaking’ offspring, as if it was an accomplishment. This is a troubling fact for the Maltese linguistic heritage, which had to face an uphill struggle a hundred years ago to be accepted as the national language of Malta (Grech 2006).

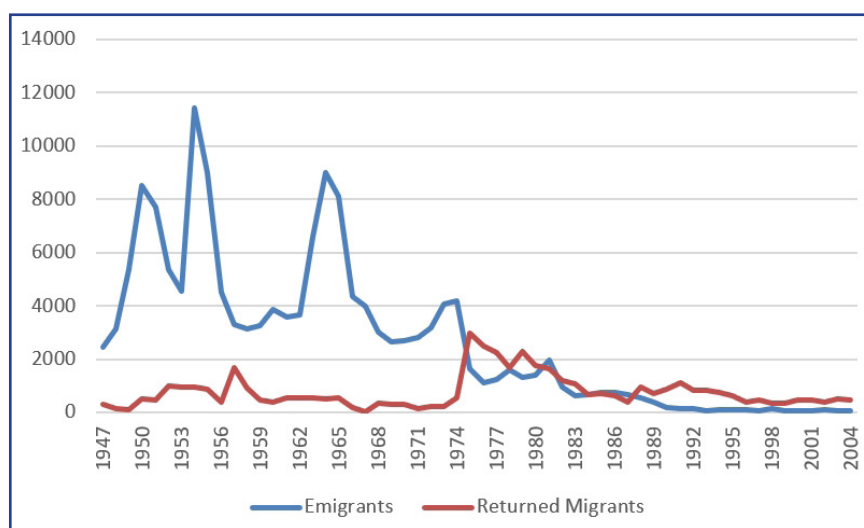
Maltese is now an official language of the European Union and the only Semitic language to have that privilege. It is also the only Semitic language that is written in the Latin script. However, the integration of migrants does not

require them to learn the local language as is the case in other European countries and integrating these children is not an easy task (Caruana *et al.*, 2013).

Another problem associated with the educational system is that some employers maintain that the system is not preparing workers for the future. Education in Malta is very pedantic in that it offers pupils and students too much academic work, with little attention being given to transferable life skills. There is also a heavy focus on exams and grading systems, offering children limited resources and time for creativity and thinking outside the box. But, the positive element is that everyone has access to education at all levels and this is something which was not always the case. In earlier times university was restricted to the richer levels of society.

Education is meant to prepare tomorrow’s citizens and workers. The labour market can also be considered as an element of social policy. Employment policies impact self-employment, entrepreneurship, new niches in the economy and growth in promising sectors. The following paragraphs analyse the challenges of employment and migration.

Graph 3: Migrants from Malta and Returned Migrants to Malta: 1947-2004



Source: World Bank (1971-2020) and Azzopardi (2011) based on national development strategies documents for the period.

N.B. Until 1995 data for emigrants was provided by the Department of Labour, in 1996 data were provided by the embassies of Australia and UK. By 2000 only the UK was sending information. Data for 2004 are only estimates. Therefore, data from 1996 onwards may be under-represented. Data for returned migrants are based on the Customs Department data.

Employment and Migration

Spurred on by an economic boom and a legislative framework for innovative sectors, such as i-Gaming, inward migration has been difficult to stem. Not only is the island calling out for migrants working in low-income sectors such as the caring industry, hospitality, and construction, but it has also attracted several high-level personnel to work in the Fintech world. The population has increased from 405,000 in 2005 to 516,100, as at the end of 2020 (NSO, 2021), the increase being mainly driven by immigration.

The business environment needs more people to expand and whilst in the past decade the pressure had been on recruiting inactive people, mainly women and those who could be working but were more comfortable relying on social assistance, in recent years the business community has been asking government to make the importation of third country nationals less bureaucratic, and faster.

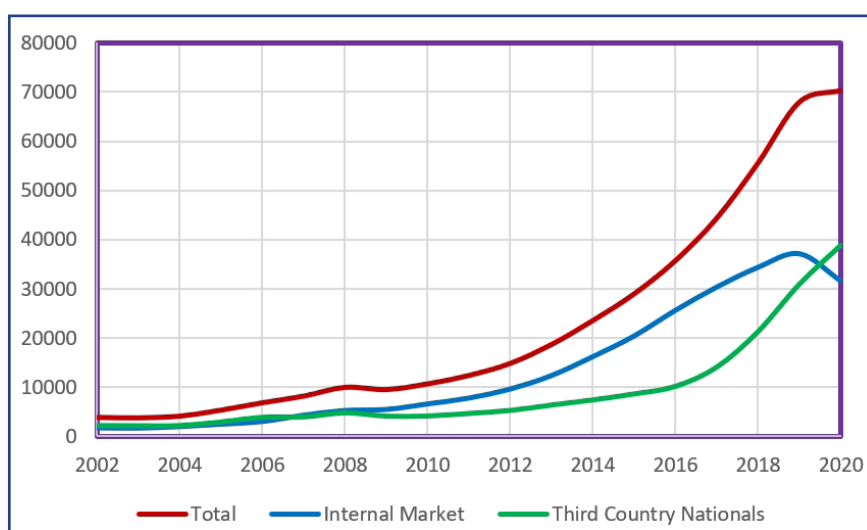
The issue of migration has always been a hot potato, but emigration in dire times was seen as a ‘safety valve’ relieving the pressure of unemployment (Attard, 1997). Historically the Maltese are mobile people. In the 19th century emigration was ‘unplanned, spontaneous ... towards the southern and eastern littoral of the Mediterranean’ (Jones, 1973:102), mainly to Italy, France, Algeria, and Tunisia. However, the British colonial

administration (from 1800 to 1964), used emigration as a strategy against unemployment from the early 19th century (ibid.) It was the prospect of de-colonisation which led the British to adopt planned and subsidised emigration as a policy to alleviate the hardships expected from mass unemployment after the British were to leave the country. Reports by Woods in 1946 and Schuster in 1950 both saw emigration as the best strategy against unemployment (Azzopardi, 2011).

Graph 3 shows that the post-war and post-independence periods were the two decades mostly hit by emigration, with migration turning positive after 1974. The loss of skilled workers needed to be reversed and for those workers to be enticed back to Malta, therefore social policies developed because of horizontal interdependencies including de-colonisation, restructuring of the economy, and forced migration.

Graph 4 shows the increased influx of migrants, starting with EU membership, slightly affected by the 2008 crisis, but expanding more heavily in the past few years. Most of this influx derives from the EU and countries forming the internal market. Third country nationals also started to increase, and the pandemic did not stem the influx although it slowed down the process in 2020. After Brexit, British nationals are included with TNCs. Thus TNCs in Malta are now higher than internal market nationals. In the 21st century, the problems regarding migration are

Graph 4 – ‘Foreign’ Nationals Employed in Malta, 2002 – 2020



Source: Source: JobsPlus 2022

different. One is the influx of economic migrants because of an expanding economy, and the other is the problem of illegal migration: both of which are straining the limited local resources. Migration has caused an increase in housing prices, is increasing homelessness, has delivered a perceived increase in crime, a decrease in security, revived elements of racism, is pushing for increased construction and is even straining public health services. A recent study has shown that migrants are blamed for bringing over 'disease, degradation and crime' and that Malta is being 'invaded' (Assimakopoulus & Vella, 2018).

There is a tug of war between the economic need and the social implications of migration. The labour market has expanded in recent years in tandem with the demands of a growing economy. This has helped lower unemployment to the barest minimum where only 1,167 unemployed persons were officially registered as seeking work by December 2021 (NSO, 2022). Administrative data show that by August 2021, the number of full-time workers in Malta had reached 240,712, (NSO, 2022b) from 137,149 in 2004.

Another social reality is that Malta has over the years become more secular. For the first time in history, the island saw the number of civil marriages increase more than the number of religious marriages in 2016. This is changing the fabric of society, where divorce is easier than a Church annulment, signifying that in future the need for disparate and new forms of families will increase the demand for housing, social benefits, and services.

Housing

In the 1970s and 1980s, governments set up schemes to increase private dwellings. During this period government also built social housing units, apartments, and terraced houses, and set up a home ownership scheme, where lower-income groups were provided with plots of land and soft loans to build their own homes. In the late 1980s, government tried to encourage the owners of empty property to rent them out, by providing a system of rent subsidies. To entice older people to stay in their homes and not resort to elderly homes, grants were provided to modify their homes, including the

installation of grab rails, and raised seats. 'The majority of occupied dwellings were constructed between 1971 and 1990' (NSO, 2005b: xv). The 1990s saw a more liberal government which delegated housing to the private sector - this was seen as more efficient, although a small element of social housing was retained. 'Social housing policies in Malta have highlighted 'equity' at the expense of efficiency' (Delia, 2001).

The influx of migrants has put pressure on housing. The household budgetary survey of 2015 (the latest data available) shows that 70.9% were owners of their homes, a further 16.5% were paying rent, while the remainder had other housing arrangements (NSO, 2018e). Furthermore, 'the largest share of households (38.3%) resided in terraced houses, followed by tenements/maisonettes (28.8%), and flats/penthouses (27.7%).' (ibid., p.52). The remainder (5.2%) were living in semi or fully detached dwellings and other arrangements.

There are certain contrasts with the situation in 2005, just ten years earlier, when home ownership had been higher at 75.2%, those renting had also been higher and amounted to 20.7%, while the rest had other arrangements including living with others. This shows that in the ten-year lapse between the two periods, homeownership and renting had both decreased, showing a situation where less people could afford their own homes or could rent. Furthermore, there had been 39.3% living in terraced houses, followed by tenements/maisonettes (28.9%), and 23.4% were living in flats and penthouses. The rest (8.4%) were in semi/fully detached property and other arrangements. This shows that ten years later more people were living in flats rather than houses and villas. However, it is also curious to note that only 68.2% of total housing stock was occupied, with 13.3% being used on a seasonal basis (mainly during the summer), while 18.4% was completely vacant (NSO, 2014: xxv).

There appears to have been a downgrading of the housing stock. Houses are being torn down to make way for blocks of apartments, which due to the dearth of land, makes economic sense, but it also provides more profit to the sellers and developers. High rise apartment blocks are also something new on the local scene. These try to accommodate the increasing demand, although there

usually is significant opposition by those living in the neighbourhood. Meanwhile on the social housing front, the government has committed to construct more units to try to relieve some of the housing pressure in the lower income groups.

The Catholic Church and NGOs have opened shelters to deal with a new type of poverty, the homeless, domestic violence victims, separated people and poor families who cannot afford an increase in rent or who suddenly find themselves without a job, and become homeless.

In the past years there has been public discourse related to a housing problem, but lately it is a crisis, a 'social emergency'. Many new couples cannot afford to buy their homes. In earlier decades, at a time when government would dish out plots of land at meagre ground rent and soft loans to newly-weds and engaged couples, people could afford to build their own house. Nowadays only the rich can dream of such a luxury. Many professional people are opting for flats and apartments, while the lower-income group just look at rented places, often sharing with others, or still living with their extended families. The housing situation has been deteriorating with less housing stock being built in the past twenty years, yet the recent increase in economic growth and the influx of migrants has put pressure on the price of renting. This has resulted in the ousting of local people at the lower income-end of the spectrum. Social housing has had to return to the government's agenda.

Conclusion

The analysis above shows the development of social policies in Malta: initially affected by horizontal interdependencies and later by vertical interdependencies.

Malta faces a significant number of challenges to continue sustaining its web of services associated with social policies. This paper has shown that social policy has had an important role in the economic development strategy of the country. However, social policy was more contained in earlier decades. With a more liberal agenda, there was less attention to overseeing the various policies, resulting in an array of new services being put into place. Later decades saw a streamlining of services, offered more on a means-tested basis.

Therefore, one can say that during the 1960s, 1970s and 1980s, social policy was important to provide a social security net which helped the lower income groups aspire to acquire goods, previously mainly reserved for the well-off, and to housing and employment possibilities. External events, signifying horizontal interdependencies, such as the two World Wars, de-colonialisation, independence, the struggle to build a viable economy, outward migration, and developing the infrastructure for new industries, all took their toll on the need for social policy, which in later years adapted and developed a significant response to the needs envisaged by the times.

Later, in the 1990s and 2000s, the free market took over, putting more pressure on social policy, which kept up the momentum in offering services, but somehow the situation got out of hand and was no longer so manageable or sustainable. During the 21st century governments have focused on clamping down on abuse, on means-testing, and more recently on reducing the number of beneficiaries through schemes to make work pay. After a fledging independent economy was launched and was slowly prospering, international institutions became more important, starting with the 1970 Association Agreement, the 1990 EC membership application, and the eventual 2004 EU membership. It was probably the 1990 application which created the most significant vertical interdependency, which continues to this day through EU regulations and directives, and rulings of the European Court of Justice. However, other international institutions such as the World Bank, the International Labour Organization, the International Monetary Fund, the World Health Organization, and international credit rating agencies, also indirectly influence Malta's social policy.

An open economy with a liberal agenda cannot be controlled, and the ground that had been gained in previous decades at the lower end of the income spectrum, started retreating and poverty started increasing again. This meant that social policy was needed more than ever. The demands of society had not only increased but had spread out in so many areas and social sectors that harnessing them became even more difficult. This is when civil society, including the Catholic Church, and the private sector took over many of the social activities previously undertaken mainly by government.

These included not only merit goods such as education, and health, but also housing. Slowly over a quarter of a century the welfare state became a welfare society, with more emphasis on self-help and the inclusion of volunteers and civil society, with governments hoping to cut the umbilical cord of heavy dependence on the state being expected to provide a myriad of social policies.

The analysis shows that Malta's social policies aided its economic development strategy in that different social policies sought to provide an equitable society. However, strains and long-term deficits in public finances later showed up the cracks in the structures, which became overused, abused and too wide encompassing. Malta faces challenges which may impact the sustainability of some policies (such as health), while instigating further government intervention in others (such as social housing). A more holistic perspective of all social policies is needed to ensure a workable strategy.

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