

Universal Basic Income Scheme for Malta: Would It Be Possible?

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Colossal changes predicted in employment with the acceleration of automation have placed a sizable question mark over how today's workers will earn a living in years to come. In Malta, [Isles of the Left](#) member Raisa Galea sat down with sustainability expert Geoffrey Saliba to discuss how a Universal Basic Income could offer a solution for individuals, businesses, and environment.

Raisa Galea: What is the state of Malta's economy at the moment? In terms of employment and wages, how does Malta compare to the other EU countries?

Geoffrey Saliba: The economy is booming. Over the past few years, economic growth in Malta measured at around 5.7 per cent, which significantly exceeded the EU average of 2.2 per cent. Of course, after a period of growth, usually the economy plateaus, followed by a period of stagnation. However, there are no signs that Malta's economic growth is cooling down anytime soon.

Malta is breaking records when it comes to employment too. Indeed, the country doesn't meet the current demand for workers and is importing labour from overseas. In terms of wages, the situation is not as bright. The available statistics are quite limited; thus a rigorous analysis of wages is a tricky task.

There is a large cross-sectoral wage disparity. The public sector employs predominantly Maltese nationals, whereas the private sector relies on an international workforce which constitutes 30 per cent of its employees. In the lucrative online gambling sector, the executive pay could be over 100 000 euros per annum and non-graduates can aspire to salaries of 35 000 euros. This sector attracts employees mainly from Northern Europe.

Lowest paid jobs—waste collectors, cleaners, caregivers, waiters—are also performed mainly (but not exclusively) by guest workers. The wages in these sectors are as low as minimum wage which is 745 euros per month (around 8 950 euros per annum). Such a pay is not sufficient to cover basic expenses on food, clothes, and housing rent. At the same time, the lucrative sectors are driving up the cost of living across the board; the price of housing has exploded, and so low income earners are now struggling.

What is the current situation with social security in Malta? Is social security a topic of political debates?

A report published by the National Statistics Office titled 'The European Statistics on Income and Living Conditions' estimates over 80 000 people (19.2 per cent of the population) being at risk of poverty. This worrying situation is caused by the increasing cost of living. The divide between the richest and the poorest parts of the population is growing. Although the government acknowledges the problem, the issue does not seem to be at the fore of political debates. There is, however, an ongoing discussion around poverty led by civil society organisations.

In Malta, welfare includes free healthcare—whose quality is among the best in Europe—and free education up to university level. Apart from the state-provided welfare, family networks and friends also act as a private safety net—it is one of Malta's specific social characteristics. Still, not all individuals can count on support from these networks because they may not be part of them. Such individuals face a higher risk of falling through the safety net, which is why the welfare issue merits more attention.

You conducted a research on the possible Universal Basic Income (UBI) framework in Malta. Could you please share your findings? What would it amount to? How would it be financed?

The starting point of my research was to understand the massive changes that robotics and AI are about to bring to the job market. We are not talking about 10 years' time: it is already happening. Depending on the level of your skills, your job is almost guaranteed to become replaceable within the next 15 years. What are you going to do?

Since a job is a source of income, losing it means being unable to sustain a living. Disappearance of jobs would also affect businesses: without having money to spend on the services and products, there will be no customers. And AI is not a good customer. Thus, if there are no jobs, businesses too would risk losing their profits and close doors. This scenario is still to be addressed in business circles.

One of the solutions to this challenge discussed internationally is Universal Basic Income (UBI). The proposal caught my eye and I decided to explore what a UBI for Malta could look like.

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The questions you asked focus on numbers: what a UBI would amount to and how it would be financed. In my opinion, those are incorrect questions. The very first question must be what kind of UBI would we like to have in place. The approach should begin with asking what a UBI would aim for and who would benefit from it most. This is the crux of the matter because UBI models could vary significantly according to whose interests they are designed to suit. Therefore, the numbers and the financial aspects would differ depending on the UBI's purpose and functions.

Let us consider a UBI which acts as a safety net and is designed to eradicate *financial* poverty. In this case, every single *resident* would receive a living wage. I'm emphasising 'financial poverty' because single parents, people with physical and/or mental disabilities, and other vulnerable groups require additional support on top of financial means.

As a concept, UBI is often criticised for its supposedly demoralising effect: without an incentive to work for survival, the critics say, people would be sitting at home and losing interest in life. I disagree. People have a tremendous creative drive. If we do not have to work for survival, we can put our energies to constructive use—to maintain our network and develop our interests. We perform best in areas we are passionate about while being surrounded by people with whom we feel most comfortable.

Hence, a UBI which eliminates the need to cling to a dreadful bullshit job, or a job done merely to survive, would inspire people to leap forward in the subjects they are most excited about. This development would certainly have a social and economic value: adequate conditions will stimulate economic activity which will translate into employment. The change that a UBI will bring about will not be about whether people will work or not, but how, where, when, and why they work. I do not think that a UBI providing a living wage will hammer the economy. On the contrary, a UBI will turbo-charge it. My research is, however, still at a preliminary phase and would require contribution by sociologists and economists.

Great. We have established what kind of UBI we are aiming for. The next question is how to finance this welfare UBI in Malta.

First and foremost, let us underline that a UBI will be beneficial for everyone: it will guarantee safety to employees while businesses will retain the customers. Working-age adults (from 16 until retirement age) would need minimum 850 euros to live on a month-to-month basis. Pensioners and disadvantaged individuals would receive

950 euros (a UBI would also free them from the burden of bureaucracy so inherent to the provision of welfare benefits). Children too would receive a small UBI amount (around 200 euros).

This model would cost between 4.5 to 5 billion euros annually, which represents approximately 40 per cent of Malta's current GDP. The next question is, naturally, who is going to pay for such a UBI. This proposal is likely to cause panic among those who have the money.

No single sector or entity in Malta has this amount to give. How can the funds be acquired and what are the likely impacts?

According to Transparency International, around 1 billion euros is lost due to undeclared sources of revenue and illegitimate transactions in Malta annually (this figure excludes the financial services sectors). If recovered, it would represent 20 per cent of the funds required. This task demands an enormous political will, but the UBI scheme is itself an ambitious project.

Another 20 per cent of the required sum is already spent by the government on social services and income substitutes: disability and unemployment benefits, pensions, allowances etc. The UBI would come to replace these welfare benefits.

The remaining 60 percent—or 3 billion euros—would have to come from increased taxation.

Since the purpose of this model would be to eradicate financial poverty by providing a guaranteed living income as per current prices, the taxation can't impact the price of base goods. Otherwise, it would defeat the purpose of the scheme. Taxation should therefore focus on non-base goods and services.

In speaking who should be taxed more, let us admit that the lucrative sectors like financial services and gambling probably will not take additional taxation lightly. Financial services specialise in assisting wealthy individuals and corporations to avoid taxation. I imagine that neither the gambling nor the financial services industry would be delighted about the proposal since Malta's tax regime is what keeps them here.

Right. In order to implement the additional taxation carefully and effectively, we need to divide the business world into sectors since various sectors benefit differently according to the social environment. We need to identify the sectors which stand to benefit from having more customers and then tailor the taxation adjustment accordingly. The additional taxation proposal needs to come up with a sophisticated formula by assigning differentiated taxation rates to different sectors.

For example, the most obvious candidate is the entertainment sector. Since a UBI is universal, those receiving it on top of other sources of income will likely spend it on entertainment and luxury goods. Therefore, entertainment could be taxed higher, as could luxury goods. Once the entertainment and other sectors which stand to benefit recognise the advantages of the UBI scheme, they would probably embrace the taxation measures.

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Taxation of lucrative industries is a separate matter. Malta is a small island state with a population of around 450 000 people and a small domestic market. It's insular, meaning that goods are transported in and out. All of these conditions are disadvantageous for many businesses. The country opted for introducing a low tax regime in order to overcome national disadvantages such as insularity and a small market size by attracting foreign direct investment.

Appealing to foreign investment is necessary, but the effective 5 percent tax rate is nevertheless phenomenally low. It is also unfair in cases where international businesses compete with national enterprises which are taxed at the full

35 per cent rate.

How high can the corporate tax rate go? A doubling would still place Malta in line with other European low tax jurisdictions. Even a tripling would ensure a competitive placement. Since the introduction of a UBI would benefit Malta's economy, this could also render Malta more attractive for continued foreign direct investment. Thus, increasing the corporate tax rate could be a worthwhile option.

It's important to stress that the global neoliberal climate is prone to favour measures such as the VAT increase and the redirection of social expenditure. Indeed, higher taxation of luxury goods and services, higher corporate taxation, and a crackdown on tax evasion are far less attractive to the key market players. My concern is that if a UBI were to suit the neoliberal model, the method would probably involve taxation of working-class incomes and base goods. Such a policy would be contrary to the objectives of the UBI proposed here—eradication of *financial poverty* and *sustainable economic activity* stimulus.

As an additional source of income, a UBI would also lead to an increase in consumption, meaning that a rate of waste generation would also spike—an ultimate challenge for Malta, given its current state of waste management. Is it possible to introduce a UBI which would be socially and environmentally beneficial in equal measure?

A UBI which provides the entire population with a spendable safety net would definitely result in increased consumption. It isn't just waste that would increase—energy and water consumption as well as traffic congestion would expand too.

That is why the UBI must also aim for stimulating *sustainable economic activity*. One way of doing so would be to tax enterprises according to the environmental impact, as long as base goods and services are not impacted. Conversely, reducing taxation on environmentally beneficial activity would also direct investment and expenditure towards these areas.

Does the Maltese government consider taking it on board and do other political forces support introducing UBI in Malta?

To date, there has not been much discussion about UBI in Malta. Which is strange, given that the current government has the political and technical capacity to implement a successful UBI.

Besides, the Maltese government is positioning the country ahead of the rest of the planet when it comes to digital technologies like blockchain and AI. The Prime Minister even spoke about the rights of robots...

The current government is pursuing an ambitious economic and progressive social policy direction. A UBI would definitely be in sync with that part of Malta's current policy and political climate.

Moreover, I am convinced that any government that gets a UBI right is going to be tremendously popular so, frankly, I do not see a reason why the government and the other political parties would not be willing to address this matter. What is lacking most at this point is the debate. We urgently need more debate. It could even turn out that the Maltese public is absolutely indifferent to the subject, in which case the UBI would not happen.

The views expressed here are the interviewee's own and do not represent the Malta Business Bureau.



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