

## ESF THEMATIC NETWORK ON SIMPLIFICATION REPORT ON SCO PRACTICES

(Draft for the 6<sup>th</sup> Meeting of the Thematic Network - The Hague – 8-9 June, 2017)

### References:

<b>Member State / Region</b>	<b>Malta</b>
<b>Reference number (TN's map of SCO practices)</b>	<b>7</b>

### Contact details:

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<b>Type of SCO reported</b> <i>(Please choose one of these types of SCO: flat rate financing, standard scale of unit costs, lump sum).</i>	<b>STANDARD SCALE OF UNIT COST</b>
<b>Type of activities covered by the SCO</b> <i>(Please indicate what type of activities is targeted by the SCO).</i>	<b>EMPLOYMENT SERVICES</b>

### A. PROJECT DESCRIPTION

<b>A1. Description of the type of operation</b> <i>(Please describe in brief what types of operations are covered by SCO)</i>
<p>The Access to Employment (A2E) Scheme will provide employment aid to enterprises in Malta and Gozo to promote the recruitment of the more challenged amongst job seekers and inactive people.</p> <p>The scheme is in line with Commission Regulation (EC) 651/2014 of the 17<sup>th</sup> June 2014 declaring certain categories of aid compatible with the internal market in application of Articles 107 and 108 of the Treaty.</p>

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The scheme aims to facilitate the integration of job seekers and inactive people in the labour market by:

- Enhancing opportunities to access the labour market and providing work experience to those furthest away from gainful occupation;
- Bridging the gap between labour market supply and demand;
- Increasing social cohesion.

**A2. Definition of outputs/results** *(Please give a short definition of outputs and/or results)*

The A2E scheme will support persons falling under the disadvantaged, severely disadvantaged persons and persons falling within the disability category by subsidising the pay of these new recruits upon employment for a maximum number of weeks depending on the employment, age, educational attainment and vulnerability status of the employee.

**A3. Beneficiaries** *(please indicate the types of beneficiaries involved in the operations covered by SCO)*

Private enterprises.

**A4. Target group(s)** *(Please list target groups within projects covered by SCO)*

The A2E target groups are the following:

Client Group	Client Group Description	Duration of Assistance
1	Any person who has been unemployed / inactive for the previous six months	26 weeks
2	Any person who has been unemployed for the previous 12 months during which he / she participated in a traineeship with the applicant Undertaking	52 weeks
3	Any person who is living as a single adult who has one or more dependants and is not in full-time employment	52 weeks
4	Any person who has attained an upper secondary educational or vocational qualification (ISCED 3) who does not have a job	52 weeks
5	Any person older than 50 years who does not have a job	52 weeks
6	Any person who has been unemployed / inactive for the previous 12 months during which he / she has not benefitted from a traineeship with the applicant Employer Undertaking and who belongs to one of the categories (3) to (5)	104 weeks
7	Any person who has been unemployed / inactive for the previous 24 months during which he / she has not benefitted from a traineeship with the applicant Employer	104 weeks

8	Undertaking Any person who is a registered disabled person under national law and is not in full-time employment	156 weeks
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## B. METHODOLOGY AND CALCULATION METHOD

**B.1 Methodology** (please indicate which methodology/ies has/have been used: Fair, equitable and verifiable method / use of existing EU schemes for similar types of operation and beneficiary / Use of existing own national schemes for similar types of operations and beneficiaries / use of rates and specific methods enshrined in the regulation or in a delegated act / use of a draft budget /combination of methodologies).  
Please indicate if the concerned SCO has been covered by Art. 14(1) ESF)

Methodology applied: *Use of rates and specific methods enshrined in the regulation or in a delegated act*

The national minimum wage sets the standard across the country for the lowest possible wage that can be given. This scheme intends to aid employment through subsidising wages for a limited period of time depending on the employment, age, educational attainment and vulnerability status of the employee in line with national legislation. This SCO is covered through a Delegated Act under Art. 14(1) ESF Regulation.

**B.2 Calculation Methods** (please describe how the calculations have been made)

The benchmarks taken are in line with Subsidiary Legislation 452.71. The assumptions taken in terms of quality and quantities are in line with the national minimum requirements for wages. The scheme will be subsidising 50% of the equivalent of the national minimum wage for each new employee.

Rate of pay for trainees under 17 years of age (as at 2015)	Per Annum
Basic Wage - €156.64 * 52 weeks	€8,145.28
Statutory Bonus payable in June and December - €135.10 * 2	€ 270.20
Weekly Allowance Bonus payable in March and September - €121.16 * 2	€ 242.32
Employer's share of National Insurance - €6.62 * 52 Mondays	€ 344.24
<b>Total Gross Pay + National Insurance per annum</b>	<b>€9,002.04</b>
Hourly Rate = Total Gross Pay + National Insurance per annum / 52 weeks / 40 hrs	€4.33
Weekly Wage - €4.33 * 40 hrs	€173.20

50% Aid Intensity	€86.60 per week rounded down to €85 per week
<p>Employers will receive a flat rate of €85 per week for a full-time 40-hour week. In relation to the employment of a person with disability, employers will receive a flat rate of €125 per week for a full-time 40 hour week. In case of part-time employment the grant will be pro-rated to 50% of the allocation identified above. A participant recruit under Target Groups 3 and 8 who is in part-time employment can still be eligible for subsidy as follows:</p> <ul style="list-style-type: none"> <li>(a) If the recruit is in part-time employment, the A2E scheme will enable the individual to increase his / her weekly working hours to full-time. If the applicant undertaking is the same one providing the part-time employment, the grant will be a flat sum of €42.50 per week (for disadvantaged and severely disadvantaged persons) while €62.50 per week (for the registered disabled persons) for a term as indicated in the tables above.</li> <li>(b) If the applicant employer undertaking is different from that of the part-time employment, the new employer undertaking will be eligible for the whole €85 per week (for disadvantaged and severely disadvantaged persons) while the whole €125 per week (for the registered disabled persons) for a term as indicated above.</li> </ul> <p>The above represent only those eligibility conditions which affect the established rate.</p>	
<p><b>B.3 Data source</b> (please indicate the type of data used and the data source)</p>	
<ul style="list-style-type: none"> <li>(i) Subsidiary Legislation 452.71 – <i>National Minimum Wage National Standard Order</i></li> <li>(ii) Justification for the statutory bonus payments can be found at: <a href="https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx">https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx</a></li> <li>(iii) Rates for employers' social security contributions can be found at: <a href="https://ird.gov.mt/services/sscrates.aspx">https://ird.gov.mt/services/sscrates.aspx</a></li> <li>(iv) Subsidiary Legislation 452.87 – <i>Organisation of Working Time Regulation</i> specifies the minimum and maximum working time. Article 8(1) states that <i>Every worker shall be entitled to paid annual leave of at least the equivalent in hours of four weeks and thirty-two hours calculated on the basis of a forty-hour working week and an eight-hour working day.</i> The 40 hr week is taken as the standard working week in Malta.</li> </ul>	

## **C. IMPLEMENTATION OF SCO**

*(Please describe in brief what implementation rules and conditions have been set out)*

### **ELIGIBILITY CRITERIA FOR EMPLOYER UNDERTAKINGS:**

- a. Complete documentation
- b. All Employer Undertakings having an economic activity and recruiting new employees
- c. The specific recruitment must represent a net increase
- d. Incentive effect
- e. Project implemented within / for the direct benefit of the eligible territory
  - Employer undertaking is financially sound.
  - Shareholders and directors of the Undertaking will not be eligible to benefit from the A2E if they take up employment with the same Undertaking.
  - Persons reaching pensionable age before the end of the Grant Agreement period will not be eligible.
  - New participating recruits will be eligible as long as the applicant undertaking is different from an employer who previously employed the prospective new recruits within the previous 12 months.
  - A participant can apply only once under the A2E Scheme with the same undertaking.
  - Apprenticeship:
    - i. Apprentices participating in subsidised Apprenticeship Schemes may participate in the Access to Employment Programme with an undertaking other than the same undertaking who provided their apprenticeship.
    - ii. Apprentices remaining unemployed for a period of twelve months after the end of their apprenticeship contract will become eligible to participate with the same Undertaking who provided their apprenticeship.
    - iii. Registered Disabled Persons who are recognised as ‘worker with disabilities’ under national law and participating in subsidised Apprenticeship Schemes may participate in the A2E Programme with the same Undertaking who provided their apprenticeship.
  - Upon premature termination of the grant agreement both the undertaking and the Participant must fill in the A2E Scheme Justification Forms. The undertaking will be refunded only on the whole weeks that the participants will be employed on the A2E Scheme.
  - A mandatory retention period following the subsidy period has been established to further secure the employment of participants.

## **D. AUDIT TRAIL**

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*(Please provide a brief description of the audit trail for the concerned SCO, including documents, key contents/conditions and procedures)*

Management verifications (desk-based checks) shall be carried out by the IB implementing this scheme. The IB will be conducting checks on all undertakings to ensure that the employment of the new recruit under the A2E Scheme has been effected through its own records as the Public Employment agency in Malta.

At application stage the IB will also check compliance with State Aid Rules in line with Articles 32 and 33 of the General Block Exemption Regulation. The MA will check data through Progress Reports presented biannually (to confirm frequency) by the IB. Such reports will include achievements of indicators as well as data on participants. The MA will also be conducting physical checks on data held by the PES on the scheme. Documents that will be checked in relation to A2E include (for eligibility purposes) by Client Group:

Documentation	Client Groups							
	1	2	3	4	5	6	7	8
Identity Card / Maltese Residence Permit Card	•	•	•	•	•	•	•	•
Client History (from PES database)	•	•	•	•	•	•	•	•
Application Form	•	•	•	•	•	•	•	•
Single Adult Dependant Verification Form			•			• <sup>1</sup>		
Registered Disabled Person (RDP) Confirmation								•
Records on A2E Database to check if participant had already participated in the A2E Scheme	•	•	•	•	•	•	•	•

Documents that will be checked (at payment stage):

**Interim Payments**

- PES Database check to ensure that person is still in employment

**Final Payments**

- PES Database check to ensure that person is still in employment
- Declaration from the employer stating that the payments related to National Insurance for the individual participant have been paid.

<sup>1</sup> Form required if applicant is applying for client group 6 category 3. If applying for client group 6 category 4 or 5 this for is not required

Grants under the A2E can be of a duration of six months, one year and three years. In the case of the six month grants, payments will be effected at the end of the six month period. For the one year and 3 year grants, disbursement will be quarterly. No money will be held until after the retention period. The IB will retain the prerogative to reimburse the Undertaking only for the weeks completed in full on the A2E scheme in case the retention period is not respected.

### **E. ASSESSMENT BY THE AUDIT AUTHORITY (IES) INCLUDING EVENTUAL EX ANTE ASSESSMENT**

*(If relevant, please explain how the audit authority has been involved in preparation and assessment of the SCO).*

The Maltese National Audit Authorities have not assessed this SCO ex-ante. However they have been informed on the study conducted, related workings, SCOs established and relevant implementation measures through their participation to the national Steering Committee on simplification measures.

### **F. IMPACT OR ADDED VALUE FOR THE MA, BENEFICIARIES AND OTHER STAKEHOLDERS**

*(Please explain how you have perceived impact/added value of the SCO for the MA, beneficiaries and other stakeholders).*

The introduction of SCOs to this state aid scheme will mean less documents required from the applicant undertaking to claim reimbursements, thus making it easier for undertakings to submit claims in time resulting in earlier payment of the support to undertakings and the claims will be less prone to arithmetical errors. The faster disbursement will encourage undertakings to support more vulnerable persons as well as having a positive impact on the programme implementation and the achievement of the programme objectives.

### **G. SPECIFIC ISSUES FACED WITHIN CALCULATION AND IMPLEMENTATION OF THE SCO**

*(Please indicate any issues/problems/challenges you have experienced when setting out or implementing the SCO, i.e. high workload, state aid, public procurement, national legislation, revenues etc.)*

The national minimum wage is revised from year to year therefore the established rate may be revised. In this regard an adjustment method was included in order to be able to revise the applicable rate to take into consideration the Cost of Living Adjustments as well as any revisions made at a

national level to social security contributions, statutory bonuses and weekly allowances. Even though this rate is providing the minimal amount allowed by law, given that this is a state aid scheme, the intention is to incentivise the private sector to provide an opportunity to vulnerable individuals to be in gainful employment by lowering the initial cost to undertakings for the engagement of vulnerable persons through the provision of a subsidy.

## **H. LESSONS LEARNED AND POINTERS**

*(Please indicate any unforeseen practical implications that have emerged and any key lessons you have learned from the development and implementation of the concerned SCO practice).*

This standard scale of unit cost was initially going to be based on the use of timesheets which can at times be error-prone. Following discussions with the Commission, the MA revised the intended approach and went for a more result oriented approach by checking that the person is in employment and a declaration from the employer that payments related to National Insurance for the participant have been paid. By way of a general remark, the MA is actively looking to avoid establishing SCOs that are output based and move to a more result oriented approach, even though a potential mix of both output and result based SCOs is likely to be the case at this initial phase.

## **I. ANNEXES OR LINKS TO ONLINE DOCUMENTS**

*(Please list documents or links to online documents like complete methodology, calculation methods, documents submitted to the Commission, guidance for MAs and beneficiaries, calls for proposals, audit trail, legal acts etc.).*

(i) Statutory bonus payments can be found at:

<https://dier.gov.mt/en/Employment-Conditions/Wages/Pages/Bonus-and-Weekly-Allowances.aspx>

(ii) Rates for employers' social security contributions can be found at: <https://ird.gov.mt/services/sscrates.aspx>