

# Evaluation

## Lot 1: Wage Subsidy Scheme

SPD7/2023/062

December 2024



Funded by  
the European Union



# Evaluation Methodology

## Evaluation Criteria

Relevance

The extent to which the intervention's objectives and design responded to the needs of the country, policies and priorities, and continued to do so in changing circumstances.

Coherence

The compatibility of the intervention with other interventions.

Effectiveness

The extent to which the intervention achieved its objectives and its results, including any differential results across groups

Efficiency

The extent to which the intervention delivered results in an economic and timely way.

Impact

The extent to which the intervention generated significant positive or negative, intended or unintended, higher-level effects.

EU Value  
Added

What difference did the intervention make at an EU level? What are the benefits of acting at an EU level?

# Evaluation Methodology

- Primary and secondary data collection from National Statistics Office, Malta Enterprise (ME), Jobsplus, and VAT Department.
- 14 interviews conducted with key stakeholders including Malta Enterprise, Jobsplus, employer and employee representatives, and Ministries.
- 18 in-depth interviews with employers affected by the crisis in various sectors including travel, hospitality, entertainment, manufacturing and wholesale and retail.
- Survey on the implementation of the Wage Subsidy Scheme (WSS) and wellbeing effects.
- Focus group discussions (employees benefitting/non-benefitting from the WSS scheme).

# Relevance.. *extent to which the objectives of the scheme were relevant in delivering national policy objectives and the extent to which the scheme addressed changing needs of target groups?*

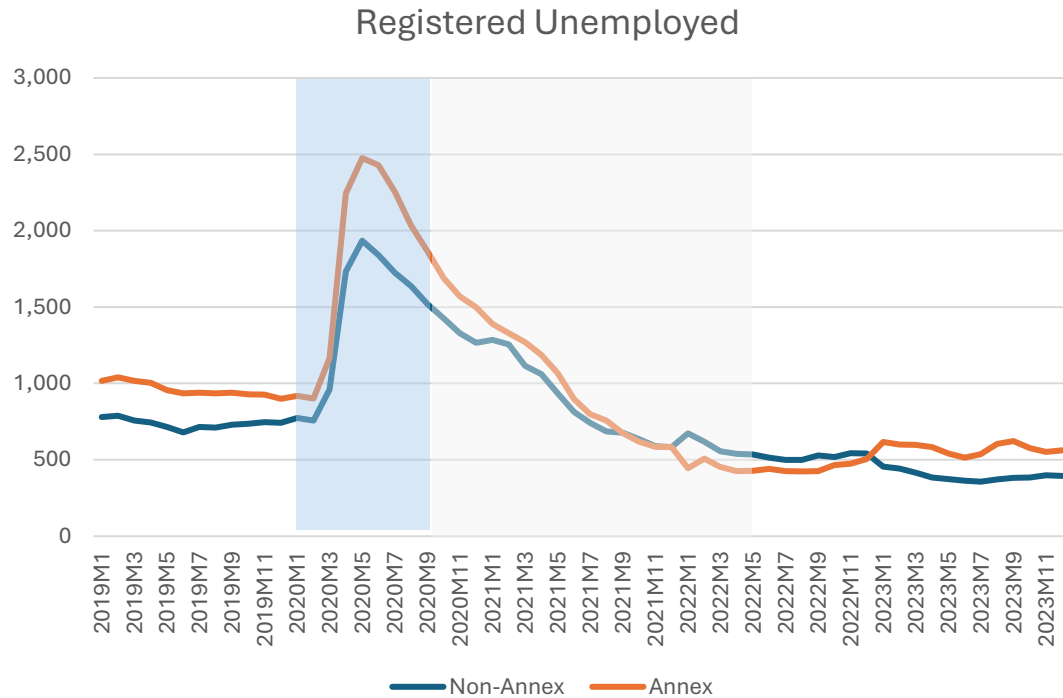
- Support was provided to employers at a time of **exceptional uncertainty** on the impact of COVID, with the objective of retaining employment rather than alleviating the impacts of unemployment.
- The scheme was introduced by the Government of Malta in April 2020 and approved under the **State aid Temporary Framework** adopted by the Commission in 2020.
  - The Commission found that the Maltese scheme *'is in line with the conditions set out in the Temporary Framework. In particular, (i) the measure will finance part of the wage costs for employees that would otherwise have been laid off, (ii) the aid is proportional as it is capped at €800 per full time employee per month, and (iii) the scheme respects the maximum duration of 12 months'*.
- The **involvement of social partners** and the close collaboration and social dialogue that prevailed during the COVID-19 pandemic increased the relevance of the scheme by ensuring that it aligns with the needs of the target groups and ultimate beneficiaries.
- The scheme's **adaptability to the changing needs of the target groups** throughout the pandemic period supported its continued relevance.

# Coherence...

...extent to which the objectives of the scheme were coherent with other national level policies or activities and with ESF programming

- The results and objectives of the WSS were **in line with broader national efforts** to mitigate the economic and social impact of the pandemic.
- National discussions initially focused on the provision of unemployment support, but through effective social dialogue, it was deemed more effective to target measures aimed at maintaining employment rather than addressing unemployment.
- The WSS was **one of the major elements of an economic stimulus package** with various complementary measures such as rent and electricity subsidies for businesses, postponement of certain tax payments, business reengineering grants...
- The scheme was in line with **Investment Priority (IP) 8v of the ESF programme** aimed at actively addressing the pandemic in sustaining and supporting economic recovery through short-time work arrangements.

# Effectiveness.. *stabilising workers' wages and retaining their employment;*



Registered UNEMPLOYED increased by 28% between February and March 2020 and a further 87% between March and April 2020 just as the WSS was launched.

At its peak, a total of 77,200 individuals benefitted from the implementation of the WSS representing almost 30% of registered employed.

From a sectoral perspective, in the accommodation and food services sector about 86% of the registered employed were WSS beneficiaries (2020).

Likewise in the W&R sector, the WSS beneficiaries accounted for half of the labour force in the sector.

# Effectiveness

**Factors that facilitated the effectiveness** of the WSS, as noted by stakeholders include:

- **The rapid IT and Data Infrastructure:** ME's IT systems, along with real-time data from Jobsplus, were fundamental in administering the scheme efficiently.
- **Collaborative Efforts:** Strong partnerships between ME, employer bodies, unions, and other organizations facilitated streamlined implementation and outreach.
- **Timely Government Action:** Stakeholders appreciated the government's swift action, which limited the pandemic's impact on employment and business continuity.
- **Sector-Specific:** Stakeholders praised the scheme's flexibility to address sector-specific needs particularly those that were severely impacted by the pandemic.

A specific challenges was noted by some of the stakeholders:

- In relation to the use of NACE codes, given that some employers were not entirely aware of their NACE code classification. This was circumvented through the provision of support by organisations such as the Chamber of SMEs which guided its members on the identification of NACE categories.

# Effectiveness.. *contributing to employees' wellbeing;*

Strength of Worries, Unhappiness about:	Workers in supported sectors	Other workers
Financial matters	58%	35%
Health matters	66%	67%
Social and other matters	62%	60%
<b>Overall</b>	<b>62%</b>	<b>54%</b>

- Workers in vulnerable sectors who ultimately benefited from WSS were more worried and unhappy as compared to other workers, due to financial matters

Strength of Worries, Unhappiness about:	Women	Men	Maltese	Non-Maltese	Vulnerable persons	Other	Malta	Gozo
Financial matters	46%	46%	45%	55%	46%	44%	46%	50%
Health matters	71%	61%	67%	61%	66%	71%	71%	70%
Social and other matters	64%	59%	62%	59%	61%	62%	61%	60%
<b>Overall</b>	<b>60%</b>	<b>55%</b>	<b>58%</b>	<b>59%</b>	<b>58%</b>	<b>59%</b>	<b>59%</b>	<b>60%</b>

- Women were overall more worried than men, but not due to financial matters
- Non-Maltese Workers expressed higher financial concerns, while Maltese were mainly worried on health aspects
- No difference was observed between vulnerable and other workers
- Overall Gozo residents were more worried about financial matters



# Effectiveness.. *contributing to employees' wellbeing;*

<b>Scheme Assessment - All Workers</b>		
	Workers in supported sectors	Other workers
Feelings of Anxiety	56%	32%
Opinion on Strength of WSS Impact on own wellbeing	72%	60%

All respondent categories indicated that the strength of the impact of the scheme on their well-being outweighed their feelings of anxiety. Non-Maltese feeling more anxious and somewhat less positively impacted by WSS.

	Women	Men	Maltese	Non-Maltese	Vulnerable persons	Other	Malta	Gozo
Feelings of Anxiety	43%	45%	43%	57%	44%	42%	44%	42%
Opinion on Strength of Impact on own wellbeing	65%	64%	65%	61%	65%	65%	65%	68%

## **Analysis of Potential Impact on Non-Beneficiaries**

	Women	Men	Maltese	Non-Maltese	Vulnerable person	Other	Malta	Gozo
Strength of potential positive impacts	50%	52%	50%	60%	50%	54%	51%	44%

## **Analysis of Impact on Beneficiaries**

	Women	Men	Maltese	Non-Maltese	Vulnerable person	Other	Malta	Gozo
Strength of opinion on overall scheme effectiveness	80%	75%	78%	81%	78%	74%	78%	74%
Suitability of:								
Timing	73%	74%	73%	75%	74%	70%	73%	76%
Amount	59%	59%	59%	59%	59%	57%	59%	61%
Information	64%	65%	64%	67%	65%	59%	64%	67%

# Efficiency... *extent was the support provided through the WSS efficient in terms of:*

*Timing, monetary value and information dissemination/ access to financing*

In light of the rapid evolution and spread of the COVID-19, the launch of the WSS was **timely** as was the phasing out of the scheme, **as it continued to stabilise unemployment below pre-COVID levels while gradually reducing support. This approach prevented unnecessary dependence on the scheme, ensuring its efficient implementation.**

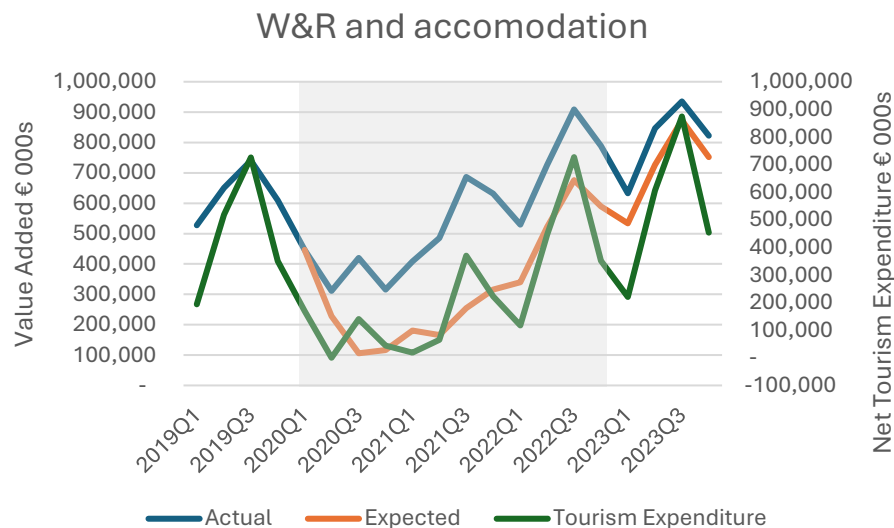
**The monetary support** provided through the various phases of the scheme was **sufficient, yet not excessive**, to achieve its goals of job retention and income support for beneficiaries during the pandemic. The monetary value provided through the WSS was largely seen as adequate by key stakeholders in supporting employees and businesses during the pandemic.

Malta Enterprise took a **proactive approach** in setting up dedicated support lines, including a helpline number and information campaign. These were well-organized and effective, with both stakeholders and employers reporting that the information was widely accessible and clearly communicated through multiple channels. This was also collaborated from the survey results.

**Changes to the COVID-19 WSS were made in consultation with social partners, ensuring that stakeholders were involved in the decision-making process.**

Amongst stakeholders, the WSS was broadly acknowledged as a cost-effective intervention, cited as one of the country's most strategic investments during the pandemic.

# Economic Impact (Counterfactual Analysis)



## Wholesale and Retail, Transport and Accommodation

This sector accounts for about 17% of GVA in the Maltese economy.

In 2021 almost 40% of the enterprises in the sector benefitted from the WSS.

## Value Added

NACE	Sum of Area € million	Average per Quarter € million
Agriculture	82.2	9.1
Manufacturing	1,519.2	145.1
W&R and accomodation	1,305.8	253.9
Information and Communication	63.8	103.0
Real Estate	2,285.5	98.1
Professional Services	927.2	71.4
<b>Total</b>	<b>6,183.7</b>	<b>680.7</b>

## Compensation of Employees

NACE	Sum of Area € million	Average per Quarter € million
Agriculture	32.4	3.6
Manufacturing	426.0	47.3
W&R and accomodation	474.6	52.7
Real Estate	76.8	8.5
<b>Total</b>	<b>1,009.7</b>	<b>112.2</b>

# Impact...*unintended effects?*

## **TRAINING and INVESTMENT IN SKILLS**

On the basis of discussions with Jobsplus, there was a spike in applications for the Investment in Skills (IIS) scheme as employers opted to provide training to their employees during the COVID period.

Individuals ultimately benefitting from the WSS could also benefit from the IIS scheme though they were only paid for the training component. Data sharing between Jobsplus and ME permitted the provision of these complementary funds.

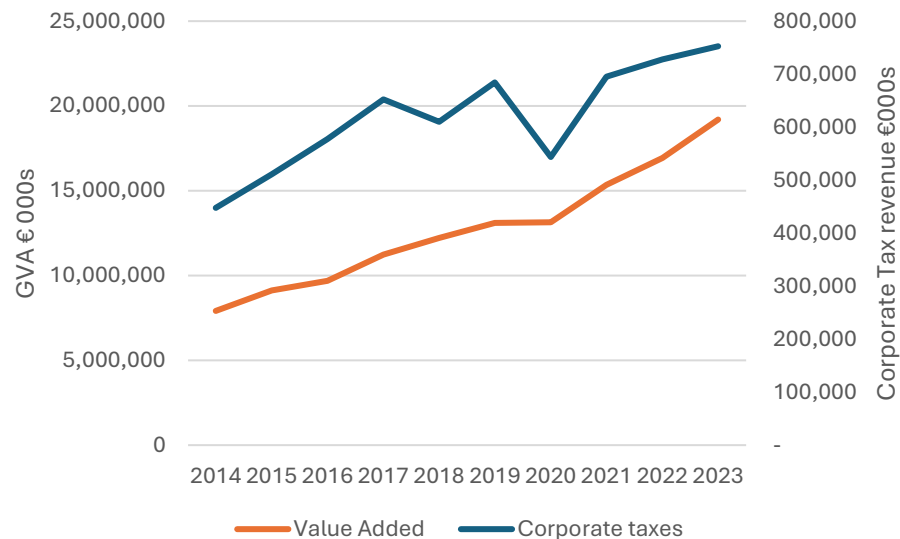
About 5% of the WSS beneficiaries also benefited from the IIS scheme (2.5% Male and 2.1% Female)

Over 40% of these beneficiaries benefitted from multiple training instances

About 40% of the beneficiaries originated from the W&R, transport and accommodation sectors.

# Impact...*unintended effects?*

- For companies to be eligible they had to provide their VAT number, identify their NACE categories and eventually also show the extent of the drop in their turnover. Malta Enterprise provided full details of the applications to the Commissioner for Revenue and the wages supplement paid to employees was registered in the FS3 forms.
- Given enhanced coordination and compliance, an estimate of the tax elasticity to gross value added has been conducted.



Period	Elasticity	Constant
<b>2014-2019</b>	<b>0.79</b>	0.56
SE	0.14	2.25
R2	0.89	0.06
t-stat	31.86	4.00
Period	Elasticity	Constant
<b>2020-2023</b>	<b>0.85</b>	-0.64
SE	0.25	4.12
R2	0.85	0.07
t-stat	11.66	2.00

It is to be noted that the stronger tax elasticity cannot be entirely attributed to higher levels of compliance due to the implementation of support measures, especially since ongoing efforts have focused on the collection of tax arrears and strengthening of the tax administration.

# EU Value Added

- The EU's financial interventions, particularly through the SURE loan and EU funds (CRII, CRII+ and REACT), have significantly added value beyond what individual Member States could achieve on their own, effectively stabilising and bolstering the Maltese economy during the COVID-19 pandemic.
- EU funding mechanisms played a critical role in supporting immediate health and economic needs during the pandemic, demonstrating the EU's capacity to respond swiftly and adaptively to crisis situations.
- The targeted EU funding in Malta through the WSS significantly mitigated potential spikes in unemployment and government debt, facilitating sustained economic activity and job security during the pandemic.
- The effective use of EU funds during the pandemic underlines the importance of maintaining flexibility in fund allocation and management in future programming periods to ensure rapid and effective responses to unforeseen crises.

# Conclusions

- **Effectiveness:** The WSS significantly stabilized employment and wages, especially in sectors severely impacted by COVID-19, such as tourism, retail, and accommodation.
- **Efficiency:** The scheme was timely, proportionate, and well-administered, preventing economic deterioration. Collaborative efforts and IT systems were critical enablers.
- **Impact:** Supported the recovery of vulnerable sectors, preserved business continuity, and indirectly reduced poverty rates. However, the tapering off of support highlighted sectoral disparities in recovery speeds.
- **EU Value Added:** The provision of EU funds enabled significant interest savings and mitigated the financial burden on national budgets.

# Recommendations

**Future Crisis Management:** Replicate the flexibility of the WSS for future crisis interventions to maintain employment and economic stability.

**Skills Development:** Integrate training schemes alongside wage subsidies to build the skills of the workforce.

**Stakeholder Engagement:** Continue fostering collaboration between government bodies, employers, and unions as this effective collaboration served as the catalyst for the timely and effective implementation of the WSS .