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THE IMPACT OF COVID-19 ON LONGER CAREERS – AN INITIAL ASSESSMENT FOR MALTA

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Policy Note

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Abstract

Since older cohorts were more vulnerable to COVID-19, the pandemic was expected to be an age-specific shock to the labour market, undoing the lengthening of working lives of previous decades. In the case of Malta, the existence of the early exit age of 61 enhanced these fears, as older workers could withdraw more easily from the labour market and draw a more generous benefit than the COVID-19 wage supplement. Labour Force Survey data suggest that initially those aged 60 to 64 withdrew more rapidly from employment than other age groups. However, Jobsplus employment register data confirm that this development was not long-lasting and that the proportion of those resorting to an early pension did not rise. The pandemic does not appear to have had any discernible impact on labour market behaviour of older workers, and the positive economic and fiscal impacts of the gradual rise in pension age appear unaffected.

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Executive Summary

Since older cohorts were more vulnerable to COVID-19, the pandemic was expected to be an age-specific labour market shock, undoing the lengthening of working lives of previous decades. In Malta's case, the existence of the early exit age of 61 enhanced these fears, as older workers could withdraw more easily from employment and draw a more generous benefit than the COVID-19 wage supplement.

Labour Force Survey data suggest that initially those aged 60 to 64 withdrew more rapidly from employment than other age groups. Besides being driven by personal considerations, this could also have reflected the fact that initially the COVID-19 wage supplement scheme had excluded persons in receipt of a pension, and therefore employers who opted to retain workers beyond pension age had to do so without any financial support.

However, Jobsplus employment register data confirm that this development was not long-lasting and that the proportion of those resorting to an early pension did not rise in the aftermath of the pandemic. In fact, for all ages bar 62, the proportion of those who had been working full-time in 2020 who remained in full-time employment in 2021 was a historical high. The pandemic does not appear to have had any discernible impact on labour market behaviour of older workers, and the positive economic and fiscal impacts of the gradual rise in pension age appear unaffected.

When compared to projections of those who would opt to remain in full-time employment made in Grech (2016) and Grech (2017), available data show that previous projections for 2021 underestimated by about 7%, or 700 persons, the actual labour market behaviour of men aged 60 to 70. For women, the underestimation was of 740 persons, or 17%.

However, while the studies had correctly estimated the initial impact of pension age rises, they proved to be too optimistic in their forecast of the proportion of those who stop working at the early exit age. Participation for men remained under 80% (as against the forecast 90%). For women, results were as expected. On the other hand, once someone works to statutory pension age, the likelihood of them working even beyond that age is improving with each subsequent cohort at a faster than expected rate. This could reflect the introduction of the deferral scheme which creates a financial incentive to continue working up to age 65, with a possible increase in the pension granted of 23%.

Pension age increases boosted the full-time workforce in absolute terms by more than had been expected in studies that had been carried out before the pandemic. In relative terms, by 2026 the labour force is expected to be 3% larger than if labour market behaviour post age 60 had remained as it was before the pension age rises started to take place. This is somewhat lower than suggested by earlier studies, but this was not due to the impact of the pandemic, but rather because the projected level of the labour force had been underestimated.

By 2026 Malta's GDP should be 1.7% higher than if labour market behaviour had not changed because of the pension age rises, while government would have needed to borrow an additional 9.1% of GDP. In the absence of this saving, pressures for fiscal consolidation would be even stronger, especially in the wake of the substantial fiscal support given during the pandemic.

1. What happened to employment rates in Malta during COVID-19?

The onset of COVID-19 had a significant impact on the labour market, though this was mostly felt in terms of lower utilisation of labour in terms of hours worked rather than the initially feared large rise in unemployment. However, due to the different sectoral impact and also the enhanced risks faced by certain age groups, the pandemic's labour market effect varied across the age distribution.

Eurofound (2022)² indicates that there was a slight decline in the employment rate for people above pension age in the European Union (EU), as against the previous large increases, and that while on average in the EU, unemployment rates among the older age cohorts remained stable, there were increases in 19 Member States.

That said, older workers in Europe fared much better than their American counterparts, where employment fell very sharply³ (though even developments for older workers were better than those for their younger colleagues). IMF (2022) suggests that this was due to the different way labour retention schemes were set up in the two economic regions.⁴ However, Pit et al (2021)⁵ points that different labour market impacts may also reflect the implementation of other policies such as the development of new business models, educational activities, and support of community-level actions.

Table 1: Employment rates in Malta in Q1 between 2016 and 2022

Age bracket	2016Q1	2018Q1	2020Q1	2021Q1	2022 Q1
15-24	45.8	50.0	47.1	45.4	49.1
25-49	80.7	83.0	87.6	87.4	87.8
50-59	60.9	68.7	75.2	71.8	76.3
60-64	29.5	34.0	39.3	33.8	38.0
65 +	4.5	4.5	5.8	6.6	6.2

Source: Eurostat.

Table 1 shows that the immediate impact of COVID-19 on employment rates in Malta was also very heterogeneous. In the first year after the onset of the pandemic, the employment rate of those aged 60-64 (keeping in mind that this bracket includes the early exit age of 61 and the statutory retirement age of 63) fell sharply from over 39% to less than 34%, a drop of one-seventh. This reversed the growth in this employment rate observed in the period 2018 Q1 to 2020 Q1. By contrast the employment rate of those aged 25 to 49 remained virtually unchanged in the first year of the pandemic, and rose above its

² Eurofound (2022).

³ Goda et al (2021).

⁴ IMF (2022).

⁵ Pit et al (2021).

pre-pandemic level by 2022 Q1. The employment rate of those aged 60-64 also picked up in the second year of the pandemic, but remained slightly below its pre-pandemic level.

Looking at other age categories, with the exception of the fairly small 65+ category, the main increase compared to pre-pandemic levels was in the 15 to 24 age bracket. The 50 to 59 age bracket, the group immediately before the pension ages, also rebounded in the second year of the pandemic.

The evolution of employment rates by age in Malta is relatively similar to that observed in the EU, with the exception for persons aged 60 to 64. The employment rate for this group was lower than pre-pandemic levels in only three other EU countries (namely Denmark, Italy and Romania) besides in Malta. This larger drop in employment could reflect the fact that initially the COVID-19 Wage Supplement Scheme was not applicable to Maltese pensioners. Subsequent to the extension of this scheme to cover this age group (four months after the scheme started) there was an increase in part-time employment within this age group, though Labour Force Survey data suggest that full-time employment remained relatively low.

An important policy factor to consider is that workers in Malta with enough contributions have the option to receive a pension as from age 61, but then are precluded from being in employment till they reach the statutory pension age (63). The pandemic could therefore have led relatively more individuals to resort to the early exit age, and withdraw from the labour market, particularly in the first year of the pandemic. Against this hypothesis, one has the observed data on the continued rise in the employment rate of those aged over 65. However, this development was temporary and in the second year of the pandemic, the employment rate for this category dropped, whereas that for all other age brackets increased.

In this light, to best understand the possible impact of COVID-19 on longer careers in Malta, it makes sense to focus analysis on the different cohorts reaching the early exit age and also the statutory pension age, and compare this with past developments. This is particularly important to assess whether COVID-19 is undoing part of the positive economic impact of the gradual rise in the statutory pension age. The other thing to consider is that the accuracy of Labour Force survey data when looking at rather small categories – such as the 60-64 age bracket and the 65+ category – is fairly limited. Sample sizes are quite small, and the pandemic increased the challenge of carrying out complex household surveys such as the Labour Force Survey. Thus resorting to data from the Jobsplus employment register may provide a more reliable assessment.

2. How do actual labour market developments for those aged above the early exit age compare with pre-pandemic projections?

In 2006, the Maltese Government enacted a reform that raised the pension age gradually from 61 for men and 60 for women to 65 for both genders. The impact of these changes started in 2013, with the pension age stabilising at 65 in 2027. Individuals are still able to receive a pension as from age 61 if they have 35 years of paid contributions, rising to 40 years as from 2023 and to 41 as from 2029. However, as mentioned previously, if they opt out early, they are precluded from working till they reach their statutory pension age. Moreover, if someone with a full contributory record opts to work beyond 61, their pension is boosted by a maximum of 23% if they work till 65.

The possible economic impact of the pension age rise was studied in Grech (2016) and Grech (2017). Since these initial studies, aside from the onset of COVID-19, there have been two major relevant developments. The first is the aforementioned introduction of the pension deferral scheme. The second is that the studies could only utilise labour market data up to 2014, which meant that they captured the retirement behaviour of those born in 1952 and the early exit behaviour of those born in 1953. This covered just the first change which moved the pension age from 61 for men to 62, and from 60 for women to 62. Labour market administrative data now fully covers the period to 2021, which means that the labour market behaviour of all those born till 1958 is now known, while the early exit behaviour of all those born up to 1960 is also available. This means that the projections made in Grech (2016) and Grech (2017) can be compared with actual outcomes for an additional six to seven single-birth year cohorts.

Tables 2 and 3 show the projections of full-time employment by single year of age between 60 and 70 for males and females, and the difference with actual outcomes recorded in the Jobsplus national employment register. By 2021 there was an underestimation of about 700 persons or 7% in the number of men in full-time employment. For women the underestimation was of 740 persons, or 17%.

That said, for the first three years of the projection, 2015 to 2017, the outcome for men was overestimated by about 5%, while in 2015 and 2016 the outcome for women was overestimated by about 2.5%. The situation then reversed, with a particular emphasis in 2019 when the pension age rose to 63. This would suggest that 2016/17 studies underestimated the labour market response to the pension age rise, and that contrary to what is implied by the employment rates derived from the Labour Force Survey, the pandemic had no impact on the lengthening of careers. However, while looking at absolute numbers of full-time employed is useful, one also needs to consider whether the higher out-turn of those in employment above the early pension age reflects that the size of this part of the labour force may have grown due to exogenous factors unanticipated in the original studies. In fact, the actual number of those aged 60 who were full-time employed diverged significantly from projections, indicating that part of the underestimation of the 61+ employment numbers was that the younger labour force from which this subset was subsequently drawn was larger than originally predicted.

Table 2: Projections of full-time employed by single year of age

(a) Male

Age bracket	2015	2016	2017	2018	2019	2020	2021
60	2,026	2,095	2,114	2,076	2,088	2,150	2,157
61	1,520	1,609	1,790	1,880	1,846	1,856	1,912
62	605	745	788	1,141	1,387	1,465	1,586
63	506	569	700	644	559	680	718
64	467	472	531	625	605	525	639
65	451	441	446	485	584	565	490
66	389	438	428	413	459	552	534
67	340	373	419	401	400	445	535
68	280	317	347	409	385	384	427
69	217	277	314	328	381	358	357
70	174	208	266	316	324	377	354
60-70	6,973	7,542	8,144	8,717	9,017	9,357	9,710

(b) Female

Age bracket	2015	2016	2017	2018	2019	2020	2021
60	612	681	723	756	786	841	858
61	533	544	606	643	672	699	748
62	231	248	253	544	577	603	628
63	207	205	220	117	253	268	280
64	130	200	198	195	104	224	238
65	112	121	186	192	189	101	217
66	104	108	116	173	178	176	94
67	104	99	103	112	167	172	169
68	77	95	91	98	107	160	164
69	76	76	94	84	90	98	146
70	62	74	74	92	82	89	97
60-70	2,247	2,451	2,664	3,006	3,205	3,430	3,638

Source: Grech (2016).

Table 3: Difference between actual and projected full-time employed by single year of age

(a) Male

Age bracket	2015	2016	2017	2018	2019	2020	2021
60	2	52	167	172	229	228	246
61	-140	-144	-206	-162	-93	-109	-47
62	-42	-39	32	250	142	57	-61
63	-54	-62	-77	81	410	332	381
64	-29	-56	-57	-29	82	279	238
65	-49	-42	-77	-55	-34	14	161
66	-25	-59	-42	-64	-51	-79	13
67	-23	-22	-48	-36	-59	-66	-85
68	13	-20	-13	-42	-33	-65	-56
69	-16	1	-25	-3	-34	-40	-51
70	-1	-11	-6	-44	-12	-63	-38
60-70	-362	-400	-353	69	548	488	700

(b) Female

Age bracket	2015	2016	2017	2018	2019	2020	2021
60	18	11	30	55	104	111	153
61	10	33	18	37	42	64	107
62	-3	16	83	53	42	83	82
63	-33	-32	2	150	146	149	209
64	-17	-49	-35	7	149	82	122
65	-3	-18	-50	-42	4	122	33
66	-14	-5	-15	-42	-38	-7	116
67	1	-13	0	-16	-39	-46	-8
68	0	2	-4	5	-10	-42	-38
69	-6	-1	-4	-1	14	-5	-28
70	-6	-4	-2	-3	1	5	-9
60-70	-52	-60	23	203	415	517	740

Source: Author's calculations using Jobsplus data and Grech (2016).

To address this, and understand better labour market behaviour, it makes sense to standardise the size of the affected labour force by looking at employment rates derived from the employment register. The last cohort where both the statutory pension age and the early exit age was 61 was that born in 1951. Labour market data show that of those born in that year who were still working at age 60, only 36% were still working at age 61. Full-time labour market participation of this cohort continued to decline with each year, falling to 22% for men and to 25% for women by age 65, as can be seen in Table 4.

Table 4: Proportion of those born in a particular year who were working full-time at age 60 and who were still working full-time by single year of age

(a) Male					
Birth year	61	62	63	64	65
1951	36%	28%	26%	24%	22%
1952	63%	30%	26%	24%	21%
1953	68%	31%	28%	26%	24%
1954	71%	36%	32%	31%	28%
1955	72%	40%	36%	34%	29%
1956	74%	65%	45%	37%	30%
1957	75%	67%	44%	38%	
1958	78%	68%	49%		
1959	75%	66%			
1960	78%				

(b) Female					
Birth year	61	62	63	64	65
1951	42%	33%	29%	27%	25%
1952	91%	42%	31%	27%	24%
1953	89%	41%	31%	29%	27%
1954	90%	44%	37%	34%	32%
1955	92%	53%	42%	40%	35%
1956	90%	86%	58%	44%	36%
1957	90%	82%	55%	48%	
1958	88%	85%	60%		
1959	86%	80%			
1960	90%				

Source: Author's estimates using Jobsplus data.

The first rise in the pension age affected those born in 1952. The rate of drop-out from full-time employment immediately declined significantly, such that 63% of men who had been working at age 60 were still working at age 61, an effective improvement of about two-fifths in the drop-out rate. For women the impact was much stronger, as the improvement was of about four-fifths. For men the impact was limited to age 61, whereas for women there was a distinct improvement also for those who continued to work full-time to age 62.

With each subsequent birth year cohort, the tendency to stay in employment post age 60 strengthened, as can be seen from Table 4. Of men born in 1960 who had been working full-time at age 60, 78% were still working at age 61, whereas 90% of women continued to work full-time. Looking, for instance, at the cohort of men born in 1957, their labour market participation at age 64 was better than that at age 61 of those born in 1951. In simple terms, 64 was the new 61 even for those whose retirement age was still 63.

The reaction to the second pension age increase, that from 62 to 63, ended up being quite like the first pension age increase. The proportion of men who stayed in full-time employment went up to 65%, which was just above the increase that had occurred in the first year after the retirement age had risen from 60 to 61. Among women, the impact of the second pension age rise was a bit less pronounced than the first one, but in relative terms the impact of the second pension age on female labour participation remained much stronger than that for men.

One thing that is quite evident from Table 4 is that while there was a significant improvement over time in the proportion of men who remained in full-time employment at age 61, this proportion has remained below 80%. This contrasts with Grech (2016) which had assumed that post-61 labour market behaviour of men would converge to that of women. While there was some convergence, this appears to have stalled somewhat and there is a significant number of men who still opt for the early exit option.⁶ While for the most recent birth cohort to reach the early exit age (those born in 1960) the drop-out rate for women is 10%, for men it is 22%. That said, while the full-time employment drop-out rate for women between age 60 and 61 has remained stable since the first cohort to face a rise in the pension age (those born in 1952), that for men has improved by 15 percentage points.

The second rise in pension age, that from age 62 to 63, had a similar impact on drop-out rates as the first rise in pension age, that from age 61 to 62. This was in line with the assumption made in Grech (2016). That said, the latter study had assumed that subsequently the drop-out rates would continue to improve to eventually reach 90%. Available data suggest that this has not occurred, with the drop-out rate for men remaining below 70% while that for women remaining well below 90%. It is therefore clear that to a certain extent the immediate relative impact of the second rise in the pension age was

⁶ Grech (2019) had indicated how the prevalence of early exit differs according to the type of occupational category and industry. However, there was a tendency for women in the same occupational category and industry as men to resort less to the early exit age. This could reflect a number of factors, including the fact that women tend to have more gaps in their contribution record, and this makes it less likely that they can qualify for an early pension.

somewhat smaller than expected. This is in line with the gradual slowdown in the improvement in the proportion of those resorting to the early pension age of 61.

On the other hand, Table 4 indicates that successive cohorts are ending up working for longer after the statutory pension age. For instance, 24% of men born in 1952 who faced for the first time the new pension age of 62 were still working at age 65. This was the same proportion as that for men born in 1952 who faced a retirement age of 61. By contrast, 29% of men born in 1955 were still working at age 65, even though they faced the same retirement ages as men born in 1952. This pattern is evident for all cohorts. This diverges from the projections made in Grech (2016) where the bulk of the change in behaviour was related to changes in the pension age. Thus, while the projections made in Grech (2016) for a more pronounced decline in drop-out rates at earlier ages have not materialised, that study did not manage to anticipate enough the fact that a growing proportion of those who stayed to work till the statutory pension age would opt to continue working even beyond it. In fact, if one compares Table 2 and Table 3, the underestimation in the projection of full-time employment was solely due to persons aged 63 and 64 who continued to work. On the other hand, projections for other ages mostly fall below actual outcomes.

It is somewhat difficult to explain this particular development, but it is relevant to note that the pension deferral scheme applies for ages up to 65 and offers quite significant top-ups at ages 63 and 64. One cannot exclude that this financial incentive is leading to a growing proportion of individuals to continue working up to the age when the deferral scheme offers its maximum return. In 2021 the proportion of men still working full-time at age 64 was higher than that of men who were working full-time age 61 just six years earlier. The same result is observed for women.

Turning specifically to what appears to have happened in 2021, the drop-out rates out of full-time employment (displayed in the bottom diagonal in the Table 4) do not appear to have deteriorated. In fact, for all ages bar 62, the proportion of those who had been working full-time in 2020 who remained in full-time employment in 2021 was a historical high. For example, 49% of men born in 1958 who had been working before they reached the early exit age were still working in 2021 even though they were 63 by then. For those born a year earlier, the proportion was just 44%. The only age where there appears to have been a significant negative impact in 2021 was for those who were aged 62. For this age bracket, there was a decline in full-time employment rates, especially among women.

Jobplus data therefore suggest that the pandemic did not exert any long-lasting impact on the lengthening of careers. There may have been an initial dip in employment of older workers, but this was quite temporary and labour market behaviour returned to pre-pandemic levels quickly. Despite the possibility to retire early and access their pension, the bulk of workers remained in full-time employment, and the trend to work beyond the statutory pension age continued unabated.

3. Do estimates of the economic impact of pension age rises need to be revisited?

Grech (2016) had estimated the labour market impact of pension age changes by assuming that had the latter not been enacted employment drop-out rates would remain unchanged after 2012. This would still mean that the number of older workers would increase as this cohort model projection would capture the impact in absolute terms of higher labour participation of younger cohorts of women. This no-policy change benchmark had been contrasted with the actual labour market outcomes between 2012 and 2014, together with forecasts made for the period 2015 to 2026 based on the assumption of continued improvement in drop-out rates as a result of subsequent rises in the pension age.

The same approach was undertaken again utilising updated labour market data up to 2021, with forecasts made to 2026 based on the insights on employment drop-out rates that have been described in the previous section of this paper. In essence, whenever the pension age rises by a year one experiences the same change in the drop-out rates as seen in previous pension age rises. This improvement then stabilises for subsequent cohorts, while there is a positive impact on drop-out rates at ages between the new statutory pension age and age 65 (when the deferral scheme ends).

Table 5 depicts the results from this analysis. By 2026 when the statutory pension age reaches 65, the number of those working full-time is projected to be 8,915 higher than if labour market behaviour had remained like when the pension age was 61.

Table 5: New estimate of the impact of pension age changes (2013 to 2026) – effect on levels

	Potential labour supply (number of workers)	Potential output (€)	Fiscal deficit (€)
2013	741	18,617,993	13,064,171
2014	1,070	27,986,480	19,381,962
2015	1,421	40,793,028	27,126,393
2016	1,646	47,170,166	31,672,886
2017	2,148	64,557,452	42,787,452
2018	3,432	105,598,755	70,728,805
2019	4,350	137,119,755	90,016,606
2020	4,728	138,521,900	94,484,150
2021	5,498	174,735,090	117,878,958
2022	6,408	217,930,343	144,578,125
2023	7,232	256,584,449	169,278,708
2024	7,494	277,640,993	182,096,911
2025	8,227	311,320,147	204,922,290
2026	8,915	344,597,407	227,648,319

Source: Author's calculations.

Table 6: New estimate of the impact of pension age changes (2013 to 2026)

	Potential labour supply	Potential output	Public debt ratio (% of GDP)
2013	0.4%	0.2%	0.2%
2014	0.6%	0.3%	0.4%
2015	0.7%	0.4%	0.7%
2016	0.8%	0.4%	1.0%
2017	0.9%	0.5%	1.4%
2018	1.4%	0.8%	1.9%
2019	1.7%	1.0%	2.5%
2020	1.8%	1.1%	3.2%
2021	2.1%	1.2%	4.0%
2022	2.3%	1.4%	4.9%
2023	2.6%	1.5%	5.9%
2024	2.6%	1.5%	6.9%
2025	2.8%	1.6%	8.0%
2026	3.0%	1.7%	9.1%

Note: This table shows the estimated cumulative difference in percentage points to different variables had labour market behaviour remained unchanged compared to that which preceded the pension age changes. For instance, assuming away the impact that the rise in pension age could have on employment rates, the potential labour supply in 2026 would be 3% smaller and this would reduce potential output by 1.7%. The public debt would be 9.1% of GDP higher. Note that to calculate the impact of the pension age rise on the fiscal deficit one needs to subtract the public debt of two adjoining years (e.g. in 2026 the impact is 1.1% of GDP).

Source: Author's calculations.

As a result, the potential labour supply should be some 3% higher than it would have been otherwise (see Table 6). Utilising a standard production function approach to estimate potential output (described in Grech & Micallef, 2015), this implies that Malta's potential output in 2026 would be some 1.7% higher than it would have been in the absence of the pension age changes. This is somewhat lower than the 2.1% projection made in Grech (2016). This reflects mostly a base effect as since that paper was published the Maltese economy grew much more sharply than had been expected, and therefore the base against which the pension age-induced improvements are being compared is much higher. As has been shown in the previous section, in absolute terms the impact of the pension age changes has had on absolute employment levels was higher than had been projected in Grech (2016). Against that, actual outturns of employment levels have been higher than anticipated in that paper, mostly as migration

flows turned out to be more pronounced. Furthermore, past data were also revised upwards by the National Statistics Office as a result of methodological changes and improved data compilation.

The fact that thousands more persons are remaining in full-time employment instead of drawing a two-thirds pension, of course, also has a strong positive impact on public finances. Assuming those in full-time employment would have drawn the average two-thirds pension, the annual saving in spending for Government grew from €5.8 million in 2013 to €52.4 million in 2021. If one makes a conservative projection of annual rises in pension rates, till 2026 the saving will have risen to €98.4 million, or 0.5% of GDP.

At the same time the induced increase in GDP from higher employment had a very positive impact on government revenue, starting from €7.1 million in 2013 and reaching €65.5 million in 2021. Assuming the tax-to-GDP ratio remains stable at its 2021 level, by 2026 this positive impact on revenue should rise to €129.2 million, or 0.6% of GDP.

Taken together these two impacts imply that had labour market behaviour post age 61 remained frozen in its 2012 pattern, government would have needed to borrow an additional 9.1% of GDP between 2013 and 2026.

When considering this estimate, one needs a word of caution in that this approach is static and assumes that this additional borrowing requirement could have taken place. Given the large rise in government debt as a result of the pandemic, this would probably not have been possible. In the absence of the positive impact of the pension age changes, the Maltese Government's fiscal options would have been very restricted and the need to implement fiscal austerity measures in the coming years would have been quite strong, resulting in a much worse economic outlook.

Table A1 in the appendix indicates that Grech (2016) had projected a more limited fiscal impact of pension reform, at a cumulative 7.7% by 2026. This contrasts with the new smaller estimated economic impacts of the reform. However, this is explained by two factors. When Grech (2016) was carried out, the Maltese Government had not yet started to consistently award above-inflation annual pension increases. This meant that Grech (2016) underestimated the potential expenditure savings from people working for longer. To a lesser extent, the larger fiscal impact also reflects the fact that the tax-to-GDP ratio had been previously assumed to fall more consistently, as the labour share had been expected to decline to a more pronounced extent.

In conclusion, the pandemic does not appear to have led to any substantive revisiting of the economic impact of the pension age changes. In absolute terms, the estimated impacts are higher than those in Grech (2016) and Grech (2017). In relative terms, they are somewhat lower, as the GDP level has turned out to be much higher than had been predicted half a decade earlier. The labour market behaviour changes induced by the pension age changes have been resilient in the face of what initially appeared would have been quite an age-specific shock. The strong and quick economic recovery, combined with the pension deferral scheme, undoubtedly played a role in this respect.

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Appendix

Table A1: Previous estimate of the impact of pension age changes (2013 to 2026)

	Potential labour supply	Potential output	Public debt (% of GDP)
2013	0.6%	0.6%	0.2%
2014	0.7%	0.4%	0.4%
2015	0.7%	0.4%	0.7%
2016	0.9%	0.5%	1.0%
2017	1.2%	0.7%	1.4%
2018	1.6%	0.9%	1.8%
2019	1.8%	1.0%	2.4%
2020	1.9%	1.1%	2.9%
2021	2.2%	1.2%	3.6%
2022	2.5%	1.4%	4.3%
2023	2.8%	1.6%	5.1%
2024	2.9%	1.7%	5.9%
2025	3.2%	1.9%	6.7%
2026	3.6%	2.1%	7.7%

Source: Grech (2016).