

Debate & Analysis



DAVID SPITERI GINGELL

This piece continues the discussion from last Sunday's article *"Getting the Balance Right: When Saving Becomes Sustainable"* and the search for a fair earnings trigger.

Part I showed how contributions based on Base Pay rather than Total Earnings already weaken pension outcomes and raise questions about the earnings ceiling under Automatic Enrolment (AE). Today we confront the next obstacle to fairness—the clash between saving for tomorrow and keeping essential support today. The goal is simple: saving must never punish prudence.

The means-test trap

Ensuring that all strata of society benefit from AE depends on how the scheme interacts with

Saving smarter: Ending the penalty on prudence for every worker **Part 2**

means-tested benefits. These programmes protect those with the lowest incomes and fewest assets, yet their rules can turn saving into risk. Pension income is included in the means test.

If a low-income worker chooses not to opt out, or later opts in to the AE scheme, the modest pension they build under the AE scheme can push them above the welfare threshold. A person who relies on social benefits but wishes to supplement a means-tested Old Age Pension to achieve a better quality of life in retirement, as things stand, cannot do so. Someone who saves responsibly may lose the very help that keeps them afloat now. This is the *benefit-reduction penalty*—a system that makes prudence costly. It punishes the behaviour the State claims to promote. The message is perverse: save and risk losing support; spend and keep it. The result is a poverty trap that runs deeper than low wages. It turns the means test into a ceiling rather than a safety net.

An AE scheme that fails to account for the benefit-reduction penalty will divide society into two classes of savers: those who can afford to save freely and those who must calculate whether every contribution will

cost them a benefit. The logic fails both economically and ethically. Economically, it undermines the compounding effect of regular saving because participants hold back or withdraw. Ethically, it offends the principle of fairness on which social security rests. No one should have to choose between prudence and subsistence. The outcome is predictable. People remain dependent on assistance instead of building their own financial base. The State, in turn, carries higher welfare costs. The system traps effort rather than rewarding it—a loop that defeats the purpose of both welfare and pensions policy.

A new architecture for social justice

AE is designed to smoothen consumer spending over one's lifetime—the willingness to give up a little today for stability tomorrow. Its purpose is to help people build a pension, that supplements the state pension, that provides not only dignity but a better quality of life in retirement. That is the social contract behind the AE reform.

Yet current means-test rules break that contract. They exclude those who save from the very fairness the system is built to deliver. When a person sacrifices

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part of today's income to secure tomorrow's independence, that act should be encouraged, not punished. Social justice demands inclusion. The AE scheme must attract those who depend on means-tested support today but want more than subsistence tomorrow. These citizens are doing exactly what the State asks of them—taking responsibility for their future. If the system then withdraws help as their AE sav-

ings grow, it defeats its own social purpose.

Reform must therefore align incentives. Income saved under AE by those eligible for means-tested benefits should be excluded from the means-testing calculation. This recognises that their saving advances the Government's own goal: that every pensioner should live not only in dignity but with an improved quality of life. If inclusion is our promise, prudence must never be punished—not in full or in part.

The AE scheme must be built on trust: that saving for one's retirement, however small, will always leave a person better off. Only then can it reach every worker, every household, every citizen who wishes to stand on their own feet in retirement. That is how a fair system works. It protects those who cannot save, but it also honours those who try. When saving no longer threatens security, prudence will become not only sustainable—but just.

Part 1 was carried last Sunday

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VALERIE VISANICH

Imagine this: Two divorced parents locked in an endless contest to outdo each other.

"I'll take you to Disneyland Paris," says the mother to their children. "Oh no," replies the father, "I'll take you to the one in Orlando." A new PlayStation here, the latest Oculus there...

Meanwhile, the children sit back and watch, like spectators at a ping-pong match, eyes gleaming, waiting to see who will offer more, who will win their affection with the biggest, flashiest gift. They watch the bids rise higher, waiting to see who loves them "more." It is not about parents wanting to give their children the best. Any child expert would tell you that this constant competition is not love but breeds more than just spoiled

Gimme! Gimme! Gimme!

children; it nurtures an entitlement culture, a mindset where wanting becomes expecting, and gratitude gives way to demand. It's a cycle of "I want it all, I want it now."

That same sense of competition, like the grudging parents trying to outdo each other, seemed to play out on a national scale. This week we've seen news portals reducing the budget discussion to one question, *"what's-in-it-for-me"*, bringing an undercurrent of entitlement culture running through the entire discussion. We cannot afford to breed an entitlement culture through financial quick fixes, one that measures care in handouts rather than civic responsibility and wider collective conscience.

And with that, I'm just waiting for the first online troll to post, *"Imma c-cheque tiehdu int hux."* Yes, I do, of course, I'd welcome a cheque like anyone else. But honestly, I wouldn't be disappointed if money is invested in the common good. What would truly please me is not having to see billboards of sick children round Christmas time, reminding us to contribute to their cure. And for their mothers to plead on TV in their most vulnerable moment to help her child. I prefer if they do not have to reach out to the invaluable work of the Community Chest Fund to help out. No one

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has to be placed in such vulnerable position in an economy that is thriving.

Certain benefits, tax breaks, and incentives do play a vital role in the collective good. They help ease the financial burden on families, for instance, through the essential therapy allowance for children with disabilities. Equally important is the no-tax scheme for families with a median income, which offers meaningful relief to those balancing everyday expenses. These measures provide much-needed support, especially for those who despite being considered the 'middle-class', defined by their job title and income bracket, are finding it challenging

to make-ends meet.

Yet, it is equally important to recognise that financial quick-fixes are not always the only solution, for several reasons. There are broader sociological factors that must be considered, not just economic ones. For instance, I genuinely doubt that parents would decide to have another child solely because of a €1,500 incentive. Time poverty is just as significant as financial poverty. Many families simply lack the time, support networks, and work-life balance needed to raise children, regardless of monetary incentives.

Another budget initiative which shall impact all family members is the announcement of offering a free ChatGPT subscription. While I can see the benefit of this, however it cannot be given without responsibility and rethinking how this would affect the educational process and the way of thinking. AI must be seen as a tool, not a replacement of the thinking process and a shortcut in the learning trajectory. Again, it cannot be treated as a quick-fix for faster productivity, especially if that comes at the expense of independent thinking and meaningful learning.

The implementation of such schemes, benefits and incentives, work best when they are anchored in responsibility and purpose, rather than

"what's-in-it-for-me" mindset or populist stances to garner votes by the two parties wanting to outdo each other. Their goal should be empowerment, giving people the means and confidence to build better lives for themselves and others, rather than cultivating a mindset where support becomes entitlement and incentives turn into dependencies.

Beyond individual benefit lies a shared duty: to understand how personal expectations influence the common good. Reviving a culture of social responsibility is essential if we are to move beyond entitlement.

And yes, I am aware that ABBA had in mind something else in their Gimme Gimme Gimme song rather than a budget hand-out.

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