

STATEMENT BY THE GSLP/LIBERAL OPPOSITION 74/2008

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During his budget speech Mr Caruana referred to proposed changes in the Social Insurance Fund and said the following:

“We are introducing two linked reforms to the Government’s financial administration of the contributions. Part of the contribution goes towards three different types of statutory benefits. These are, long term benefits (old age pensions), short term benefits (mainly unemployed benefit, maternity and death grants) and Employment Injuries benefits. Each of these three types of statutory benefits currently has its own Special Fund. The Government intends to merge these different special funds into one combined Statutory Benefits Fund.”

The law that has been passed, at the last meeting of Parliament however, also included the Insolvency Fund, not previously mentioned and the Opposition has voted against this because in principle it cannot accept that the fund into which employees pay contributions for their social security benefits should be available to be used to meet deficiencies arising from an employer’s failure to pay his employees when a firm goes bankrupt.

The Insolvency Fund, which was created in 1991, has been financed exclusively by contributions from employers and the money paid through the insurance scheme by employees has never been available to meet shortfalls brought about by insolvent businesses.

It is the view of the Opposition that this should continue to be the case and that as a matter of principle the Insolvency Fund should be kept separate as it has been until now.

The 1991 rules and regulations setting up the Insolvency Fund state that the fund shall consist of contributions paid by employers with no reference to contributions from employees. The accumulated fund has been built up from employer contributions for over 16 years with the purpose of ensuring that when an employer becomes insolvent and is unable to pay the debts of the business, the fund is used to make sure that employees receive any monies due to them for things like wages, salary, holiday pay, paid lieu of notice etc

Since the money has been raised for this purpose during the 16 years, it is the view of the Opposition that the accumulated fund should be used for the purpose for which the contributions were made and not grouped together with the Social Security funds which pay contributory benefits such as unemployment benefit

and old age pensions where the number of stamps paid or credited creates a statutory right to the benefit.

The Opposition considers such benefits are totally different conceptually from the role that the Insolvency Fund was set out to fulfill. Furthermore, by amalgamating the funds with that of contributory social security, it means that in theory the liabilities of insolvent employers fall on a fund partly financed by the workers own social insurance contribution. This is considered unacceptable in principle in that the contribution of the employee should technically be available to finance their own short-term benefits and old age pensions and should not be available to cover deficiencies in businesses that can go bust.

For these reasons the Opposition is committed to reverse the decision taken on the Insolvency Fund and restore it as a separate fund under the Gibraltar Development Corporation.

ENDS