

**STATEMENT BY THE GSLP/LIBERAL OPPOSITION
76/2008**

30 July 2008

The Government is misleading the public through the statement they have issued in defence of their decision to merge the Insolvency Fund with three other funds. The issue, as far as the Opposition is concerned, is not the number of funds that have been merged but the fact that the Insolvency Fund has been included as one of them.

The Opposition has no objection to what the Government describes as a “financial management arrangement” through the merger of the three funds that pay out long-term benefits (old age pensions), short-term benefits (mainly unemployment benefit, maternity and death grants) and employment injuries benefits. This is what Mr Caruana announced in his budget address that he intended to do.

However, when the legislation was brought to Parliament the Government introduced a fourth fund, the Insolvency Fund, into the merger. The Opposition made it clear in the debate in Parliament that it was only because of the inclusion of the Insolvency Fund that we voted against the Bill.

The Insolvency Fund was created in 1991 and has been financed exclusively by contributions from employers. Since the money has been raised for this purpose during the intervening 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. It is totally unacceptable for the Government to merge this fund with the other three and in this way allow for the possibility that the money can be spent on something else. This is the point of principle.

In addition to this, the social security funds which pay contributory benefits such as unemployment benefit and old age pensions are totally different from the role that an Insolvency Fund was set up to

fulfill. In theory, after the merger, the liabilities of insolvent employers will fall on a fund partly financed by an employee's own social insurance contribution. This is also unacceptable in principle. The contributions made by employees should be used to finance their own benefits and should not be available to cover businesses that may become insolvent.

These points of principle are important to the Opposition. Mr Caruana should bear in mind that just because he holds a different opinion to us does not make him right and us wrong. It only means that we have different values.

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